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中國工商銀行股份有限公司

INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 1398

USD Preference Shares Stock Code: 4603

EUR Preference Shares Stock Code: 4604

RMB Preference Shares Stock Code: 84602

2014 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors of Industrial and Commercial Bank of China Limited (the “Bank”) announces the annual audited results of the Bank and its subsidiaries for the year ended 31 December 2014. The Board of Directors and the Audit Committee of the Board of Directors of the Bank have reviewed and confirmed the annual audited results. Summary of the Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by China Banking Regulatory Commission (“CBRC”) is also presented in this Announcement.

1. Corporate Information

1.1 Basic Information

Stock name	Stock code	Stock exchange on which shares are listed
工商銀行 (A Share)	601398	Shanghai Stock Exchange
ICBC (H Share)	1398	The Stock Exchange of Hong Kong Limited
ICBC USDPREF1	4603	The Stock Exchange of Hong Kong Limited
ICBC EURPREF1	4604	The Stock Exchange of Hong Kong Limited
ICBC CNHPREF1-R	84602	The Stock Exchange of Hong Kong Limited

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2. Financial Highlights

(Financial data and indicators in the annual report are prepared in accordance with International Financial Reporting Standards (“IFRSs”) and, unless otherwise specified, are consolidated amounts of the Bank and its subsidiaries and denominated in Renminbi.)

2.1 Financial Data

	2014	2013	2012	2011	2010
Annual operating results					
(in RMB millions)					
Net interest income	493,522	443,335	417,828	362,764	303,749
Net fee and commission income	132,497	122,326	106,064	101,550	72,840
Operating income	634,858	578,901	529,720	470,601	380,748
Operating expenses	218,674	204,140	189,940	169,613	139,480
Impairment losses	56,729	38,321	33,745	31,121	27,988
Operating profit	359,455	336,440	306,035	269,867	213,280
Profit before taxation	361,612	338,537	308,687	272,311	215,426
Net profit	276,286	262,965	238,691	208,445	166,025
Net profit attributable to equity holders of the parent company	275,811	262,649	238,532	208,265	165,156
Net cash flows from operating activities	201,457	(1,947)	533,508	348,123	278,176
As at the end of reporting period (in RMB millions)					
Total assets	20,609,953	18,917,752	17,542,217	15,476,868	13,458,622
Total loans and advances to customers	11,026,331	9,922,374	8,803,692	7,788,897	6,790,506
Allowance for impairment losses on loans	257,581	240,959	220,403	194,878	167,134
Investment	4,433,237	4,322,244	4,083,887	3,915,902	3,732,268
Total liabilities	19,072,649	17,639,289	16,413,758	14,519,045	12,636,965
Due to customers	15,556,601	14,620,825	13,642,910	12,261,219	11,145,557
Due to banks and other financial institutions	1,539,239	1,269,255	1,486,805	1,341,290	1,048,002
Equity attributable to equity holders of the parent company	1,530,859	1,274,134	1,124,997	956,742	820,430
Share capital	353,495	351,390	349,620	349,084	349,019
Net core tier 1 capital ⁽¹⁾	1,486,733	1,266,841	—	—	—
Net tier 1 capital ⁽¹⁾	1,521,233	1,266,859	—	—	—
Net capital base ⁽¹⁾	1,812,137	1,572,265	1,299,014	1,112,463	872,373
Risk-weighted assets ⁽¹⁾	12,475,939	11,982,187	9,511,205	8,447,263	7,112,357
Per share data					
(in RMB yuan)					
Net asset value per share ⁽²⁾	4.33	3.63	3.22	2.74	2.35
Basic earnings per share	0.78	0.75	0.68	0.60	0.48
Diluted earnings per share	0.78	0.74	0.67	0.59	0.48
Credit rating					
S&P ⁽³⁾	A/Stable	A/Stable	A/Stable	A/Stable	A/Stable
Moody's ⁽³⁾	A1/Stable	A1/Stable	A1/Stable	A1/Stable	A1/Stable

2.2 Financial Indicators

	2014	2013	2012	2011	2010
Profitability (%)					
Return on average total assets ⁽⁴⁾	1.40	1.44	1.45	1.44	1.32
Return on weighted average equity ⁽⁵⁾	19.96	21.92	23.02	23.44	22.79
Net interest spread ⁽⁶⁾	2.46	2.40	2.49	2.49	2.35
Net interest margin ⁽⁷⁾	2.66	2.57	2.66	2.61	2.44
Return on risk-weighted assets ⁽⁸⁾	2.26	2.45	2.66	2.68	2.55
Ratio of net fee and commission income to operating income	20.87	21.13	20.02	21.58	19.13
Cost-to-income ratio ⁽⁹⁾	27.93	28.80	29.24	29.91	30.99
Asset quality (%)					
Non-performing loans (“NPL”) ratio ⁽¹⁰⁾	1.13	0.94	0.85	0.94	1.08
Allowance to NPL ⁽¹¹⁾	206.90	257.19	295.55	266.92	228.20
Allowance to total loans ratio ⁽¹²⁾	2.34	2.43	2.50	2.50	2.46
Capital adequacy (%)					
Core tier 1 capital adequacy ratio ⁽¹⁾	11.92	10.57	—	—	—
Tier 1 capital adequacy ratio ⁽¹⁾	12.19	10.57	—	—	—
Capital adequacy ratio ⁽¹⁾	14.53	13.12	13.66	13.17	12.27
Total equity to total assets ratio	7.46	6.76	6.43	6.19	6.11
Risk-weighted assets to total assets ratio	60.53	63.34	54.22	54.58	52.85

Notes: (1) Data for period since 2013 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC and those for 2010-2012 were calculated in accordance with the Regulations Governing Capital Adequacy of Commercial Banks and related regulations promulgated by CBRC.

(2) Calculated by dividing equity attributable to equity holders of the parent company at the end of the reporting period by the number of shares issued at the end of the reporting period.

(3) The rating results are in the form of “long-term foreign currency deposits rating/outlook”.

(4) Calculated by dividing net profit by the average balance of total assets at the beginning and at the end of the reporting period.

(5) Calculated by dividing net profit attributable to equity holders of the parent company by the weighted average balance of equity attributable to equity holders of the parent company, which is calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities

to the Public No. 9 — Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revision 2010) issued by China Securities Regulatory Commission (“CSRC”).

- (6) Calculated by the spread between yield on average balance of interest-generating assets and cost on average balance of interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the average balance of interest-generating assets.
- (8) Calculated by dividing net profit by the average balance of risk-weighted assets at the beginning and at the end of the reporting period.
- (9) Calculated by dividing operating expense (less business tax and surcharges) by operating income.
- (10) Calculated by dividing the balance of NPLs by total balance of loans and advances to customers.
- (11) Calculated by dividing allowance for impairment losses on loans by total balance of NPLs.
- (12) Calculated by dividing allowance for impairment losses on loans by total balance of loans and advances to customers.

2.3 Reconciliation of Differences between the Financial Statements Prepared under PRC GAAP and those under IFRSs

In respect of the financial statements of the Bank prepared under PRC GAAP and those under IFRSs, net profit attributable to equity holders of the parent company for the year ended 31 December 2014 and equity attributable to equity holders of the parent company as at the end of the reporting period have no differences.

3. Business Review

In 2014, facing complex domestic and overseas economic and financial situations, we adapted and made active efforts in the areas of profit growth, structure optimization, operational transformation, reform innovation, and risk management, maintaining healthy and steady development under the economic new normal and bringing to an end the first ten-year development outline and the third three-year development planning after our stock restructuring. There are five distinctive features of our development and business performance in 2014:

First, profit growth relied more on multi-source drive. We conquered many difficulties such as narrowing interest spread as a result of interest rate liberalization, drainage of traditional business caused by financial disintermediation, and increasing market competition and increasing loss of financial resources due to rebounding NPLs, and actively explored new sources of profit growth by means of transformation and innovation. Our net profit for the year reached RMB276.3 billion, up 5.1% from the previous year; basic earnings per share went up RMB0.03 to RMB0.78. From the perspective of income sources, we generated a net interest income of RMB493.5 billion, up 11.3%, through optimizing asset and liability structure and increasing capital operation efficiency; net income margin (NIM) increased by 9BP to 2.66%; through vigorously developing asset management, investment banking, consumer finance, and other innovative businesses, we realized fee and commission income of RMB146.7 billion, representing a growth of 9.0%. Our overseas institutions and comprehensive subsidiaries earned a net profit of RMB18.5 billion, up 34.2% from the previous year, becoming an important new profit growth pole for the Group.

Second, we focused more on serving the real economy in business development. We coordinated credit increment and existing credit and the management of credit financing and non-credit financing, and we boosted the transformation, upgrading, and development of the real economy through diversified financial services. In terms of credit financing, we adhered to the overall principle of “utilizing increments, revitalizing existing credit, optimizing structure, and improving quality” to proactively improve our credit business operations, which not only optimized the credit structure and marginal benefits, but also promoted the transformation, upgrading, and enhancement of quality and efficiency of the real economy. Newly increased loans and relending of recovered loans mainly went to key economic development fields as well as new growth points and growth belts. Our domestic branches saw RMB927.3 billion worth of newly increased loans in both domestic and foreign currencies, up RMB34.9 billion or 10.1% on a year-on-year basis; they cumulatively extended loans of RMB8.98 trillion, 9.6 times the size of newly increased loans. During the year, RMB910.2 billion worth of project loans were granted, representing an increase of RMB166.4 billion year on year; RMB271.85 billion of newly increased loans went to the advanced manufacturing, modern services, cultural industry, and strategic emerging industries that represented the orientation of the industrial restructuring and optimization, accounting for 67% of the increment of corporate loans; residential mortgages, personal consumption loans, and credit card overdrafts increased by RMB346.0 billion, or 14.6%. In terms of non-credit financing, we actively adapted ourselves to the increasing trend of enterprises’ demands for direct investment and financing, production capacity integration, merger and acquisition, and reorganization in economic transformation and upgrading, and utilized a combination of “commercial banking + investment banking” and “on-balance-sheet + off-balance-sheet” to vigorously develop bond underwriting, syndicated loan, merger and acquisition advisory, etc. Debt financing instruments underwritten by us as the lead underwriter amounted to RMB470.0 billion, ranking No.1 in the industry; the contractual amount of syndicated loans where we acted as the lead bank reached RMB46.7 billion, and we became the No. 1 lead bank of syndicated loans in Asia Pacific; 319 investment banking merger and acquisition advisory projects were completed, involving over RMB140.0 billion and increasing by nearly 60%, occupying the first position in Asia Pacific in terms of transaction volume.

Third, our operational transformation focused more on breakthroughs in key business fields. Capitalizing on the new trends of growing residents’ wealth and diversified configurations of social financial assets, we made great efforts to implement mega retail banking and mega capital management strategies. The total amount of financial assets of personal customers exceeded RMB10 trillion, leading the industry; over 660 million bank cards have been issued with a transaction volume of RMB7.5 trillion, of which, over 100 million were credit cards, making ICBC one of the world’s top three credit card issuers; the number of private banking customers totaled 40,000, and the scale of assets under management grew by 35.9%; the balance of wealth management products surpassed RMB1.9 trillion, consolidating our position as the largest banking asset custodian in Mainland China; the scale of asset custody reached RMB5.8 trillion and pension funds in custody approximated RMB70.0 billion, both maintaining the first position in the industry; in spite of the fluctuating downward trend of the market, we actively adjusted the structure of the precious metal business, resulting in a growth rate of over 50% in new businesses such as precious metal financing and pledging. Internationalized operations were developed both in scope and in depth. In addition to refining our overseas institution layout, we paid particular attention to the building of overseas key product lines. We provided 24-hour non-stop services for the trading of foreign-currency bonds, foreign

exchange purchase and sale, paper precious metals and bulk commodities on the global market, and the centralized trading volumes of overseas foreign exchange spot, foreign-currency bonds, and derivatives multiplied six, seven and eight times, respectively. Our global cash management product line has been extended to nearly 70 countries and regions, and cooperative business relations have been established with over 4,300 corporate customers. Our global wealth management fund under private banking obtained approval from the Luxembourg Monetary Institute, turning ICBC into the first Chinese bank that had registered a private fund in a mainstream international fund market. With great attention paid to business cooperation between domestic and overseas institutions, we leveraged on our domestic products, customers, and funds to support the high-level development of overseas institutions, and meanwhile, promoted domestic business development through the global services network built overseas. We supported a total of 121 “Going Global” projects like resources and energy introduction, high-end equipment export, export of advantageous product capacity, large project contracting etc., forging new advantages in serving economic globalization and China’s new round of higher-level opening up. Tapping into our advantageous position as the biggest RMB business bank, we offered RMB business in all overseas institutions where the local regulator permitted, and have built up a global RMB clearing system covering 75 overseas countries and regions. In 2014, our cross-border RMB business volume amounted to RMB3.66 trillion, up 65.7% over the previous year. Comprehensive subsidiaries developed rapidly and played an increasing role in strategic synergy with the Group. ICBC Leasing has formed three financial leasing sections — “aviation, shipping and large-scale equipment”, operating and managing total assets of RMB235.6 billion and consolidating the industry-leading position. ICBC Credit Suisse Asset Management managed public funds of over RMB250.0 billion, jumping to the top three in the industry. ICBC-AXA realized premium income of RMB15.4 billion, representing an increase of nearly 50% and topping the rest of the bancassurance companies.

Fourth, reform and innovation became more market-oriented and customer-oriented. We defined 2014 as the “Year of Reform”. Oriented to the market and customer demands, we enhanced top design for reform and advanced reforms in eight fields including organizational reform and human resources reform, credit business flow optimization and credit review reform, and performance appraisal system optimization, which reinvigorated operating vitality and comprehensively enhanced management effectiveness. In particular, facing the surging wave of Internet-based finance innovation, we made great efforts to build the “e-ICBC” service and operation system and expedited integration of online and offline services. A comprehensive Internet-based finance structure has been built up, consisting of three online platforms — the e-commerce platform “e-mall platform”, the direct distribution platform “direct banking platform” and the instant communication platform “social networking platform” along with three product lines — financing, payment and investment. We quickly established our advantageous position in Internet-based finance in the banking sector, and Internet-based finance business launched by us showed explosive growth momentum. For instance, “e-mall platform” targeting renowned merchants, renowned brands, and renowned goods, has over 12.00 million registered customers and has a transaction volume of over RMB70.0 billion only one year after it was opened, joining the list of the domestic front-rank e-commerce platforms. The small-amount and quick payment product “ICBC e Payment” has over 41.00 million users and a yearly transaction volume of over RMB50.0 billion. “Easy Loan”, the small-amount consumer loan product based on residents’ online and offline direct consumptions, also shows a robust development momentum with a balance of up to RMB152.7 billion. The online revolving loan product designed to address the short-term, frequent and urgent financing

demands of small and micro enterprises, has cumulatively provided loans of RMB1.6 trillion for 69 thousand small and micro enterprises with a balance of close to RMB300.0 billion, and it is the Internet-based financing product with the single largest amount in China by far. In 2014, the business volume of self-service and electronic channels accounted for 86% of all business volume. Continuous efforts were made to advance the operational transformation of banking outlets, carry out intelligent upgrading and optimization of marketing and service models of banking outlets in the IT-based construction initiative, and accelerate the new O2O service model combining online appointments and offline service rendering, resulting in an improvement in operating efficiency, competitiveness, and service quality of our outlets. To meet the needs of the IT-based construction initiative, we built up teams of data analysts and professional analysts covering all the main business lines, which were responsible for supporting marketing, risk control, and operational decision making through mining and analyzing all sorts of business information and data. In 2014, our Shanghai Secondary Data Center was officially put into operation, forming the highest-level deployment for production, operation and disaster recovery in the three centers in Beijing and Shanghai, and further consolidating our advantages in IT infrastructure.

Fifth, risk management was made to be more forward-looking and precise. In the face of the rebounding trend of the banking industry's NPLs as a result of the triple impacts of the change of the economic growth rate, the pain of economic restructuring and the assimilation of the earlier stimulus policies, we carried out two big projects of credit asset quality and credit base management, strengthened credit risk management, stepped up the pre-setting of lines of defense, adopted category-specific measures, addressed root causes, reduced existing loans, and controlled new loan extension, thereby maintaining generally stable asset quality and enhancing the overall credit business operation and management capability of our institutions at all levels. At the year end, the Group's NPL ratio was 1.13%, maintaining at a lower level among domestic and overseas peers. As for fields of wide public concern like the local government financing vehicles, real estate development, and over-capacity industries, we adopted full-coverage financing management and conducted industrial restructuring and optimization, further bringing down the financing balance and controlling the NPL ratio at a low level. Innovative risk prevention and control techniques and means, the setting up of a credit risk monitoring center in the Group's Head Office and the employment of big data technologies to strengthen dynamic monitoring and real-time pre-warning of risks cumulatively mitigated potential risks of RMB375.2 billion. Internal control and case prevention were strengthened with increased efforts in screening and disposing of key risk points. Therefore, indicators such as loss rate of operational risk were kept below the target set by the regulator. We finished the first recovery and resolution plan with high quality according to the regulator's requirements for global systemically important banks. The enterprise risk management system was further refined, and the abilities of making pre-judgments on and dealing with market risk, liquidity risk and reputational risk were thoroughly enhanced. We were also among the first domestic banks that have obtained approval for adopting advanced capital management approaches, which helped boost our capital-saving development.

In some ranking lists issued by international professional institutions in 2014, ICBC continued to maintain the global first position in terms of major indicators like tier 1 capital, profitability, operating income, and customer deposits. Due to our long-term stable operating performance, we were named as "Bank of the Year in China" and "Bank of the Year in Asia-Pacific" by several authoritative media outlets; we were named as "Global Bank of the Year" by *The Banker*, becoming the first Asian bank that has obtained this honour during the 15 years since this award came into being.

4. Discussion and Analysis

4.1 Income Statement Analysis

In 2014, the Bank proactively responded to profound changes in the domestic and international operating environment and new normal demands of economic development, substantially promoted operational transformation and service enhancement on the basis of serving the real economy and satisfying customers' financial needs, and implemented strict cost management and risk prevention and control, achieving steady growth in profit on the whole. The Bank realized a net profit of RMB276,286 million in 2014, representing an increase of RMB13,321 million or 5.1% as compared to the previous year. Return on average total assets stood at 1.40%, and return on weighted average equity was 19.96%. Operating income amounted to RMB634,858 million, recording an increase of 9.7%. Specifically, net interest income was RMB493,522 million, growing by 11.3%. Non-interest income reached RMB141,336 million, rising by 4.3%. Operating expenses amounted to RMB218,674 million, recording an increase of 7.1%, and cost-to-income ratio dropped by 0.87 percentage points to 27.93%. Allowance for impairment losses was RMB56,729 million, indicating an increase of 48.0%. Income tax expense added by RMB9,754 million or 12.9% to RMB85,326 million.

Net Interest Income

Confronted by the accelerated interest rate liberalization reform and increasingly fierce market competition, the Bank constantly strengthened asset and liability management, proactively adjusted its credit structure and optimized its investment portfolio structure. Meanwhile, the Bank reinforced liquidity management and interest rate pricing management, strived to control liability cost and achieved stable growth in net interest income. In 2014, net interest income was RMB493,522 million, RMB50,187 million or 11.3% higher than that of last year, accounting for 77.7% of the Bank's operating income. Interest income amounted to RMB849,879 million, growing by RMB82,768 million or 10.8%, and interest expenses rose by RMB32,581 million or 10.1% to RMB356,357 million. Net interest spread and interest margin came at 2.46% and 2.66%, 6 basis points and 9 basis points higher than those of the previous year, respectively.

AVERAGE YIELD OF INTEREST-GENERATING ASSETS AND AVERAGE COST OF INTEREST-BEARING LIABILITIES

In RMB millions, except for percentages

Item	Average balance	2014 Interest income/ expense	Average yield/cost (%)	Average balance	2013 Interest income/ expense	Average yield/cost (%)
Assets						
Loans and advances to customers	10,599,094	615,488	5.81	9,457,500	548,640	5.80
Investment	4,047,961	159,262	3.93	3,969,162	148,514	3.74
Investment in bonds not related to restructuring	3,817,143	154,070	4.04	3,711,336	142,713	3.85
Investment in bonds related to restructuring ⁽²⁾	230,818	5,192	2.25	257,826	5,801	2.25
Due from central banks ⁽³⁾	3,087,982	48,384	1.57	2,883,971	45,487	1.58
Due from banks and other financial institutions ⁽⁴⁾	826,615	26,745	3.24	908,823	24,470	2.69
Total interest-generating assets	18,561,652	849,879	4.58	17,219,456	767,111	4.45
Non-interest-generating assets	1,371,253			1,172,816		
Allowance for impairment losses	(253,327)			(234,280)		
Total assets	19,679,578			18,157,992		
Liabilities						
Deposits	14,627,258	298,941	2.04	13,843,197	273,797	1.98
Due to banks and other financial institutions ⁽⁴⁾	1,819,544	42,801	2.35	1,685,542	38,209	2.27
Debt securities issued	397,785	14,615	3.67	291,733	11,770	4.03
Total interest-bearing liabilities	16,844,587	356,357	2.12	15,820,472	323,776	2.05
Non-interest-bearing liabilities	1,389,264			1,171,539		
Total liabilities	18,233,851			16,992,011		
Net interest income		493,522			443,335	
Net interest spread			2.46			2.40
Net interest margin			2.66			2.57

Notes: (1) The average balances of interest-generating assets and interest-bearing liabilities represent their daily average balances. The average balances of non-interest-generating assets, non-interest-bearing liabilities and the allowance for impairment losses represent the average of the balances at the beginning of the year and that at the end of the year.

(2) Investment in bonds related to restructuring includes Huarong bonds and special government bonds.

- (3) Due from central banks mainly includes mandatory reserves and surplus reserves with central banks.
- (4) Due from banks and other financial institutions includes the amount of reverse repurchase agreements, and due to banks and other financial institutions includes the amount of repurchase agreements.

Interest Income

• Interest Income on Loans and Advances to Customers

Interest income on loans and advances to customers was RMB615,488 million, RMB66,848 million or 12.2% higher than that of the previous year, principally due to an increase of RMB1,141,594 million in average balance. The benchmark interest rate cut in November 2014 had slight impact on interest income on loans and advances to customers in 2014.

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY MATURITY STRUCTURE

In RMB millions, except for percentages

Item	Average balance	2014	Average yield (%)	Average balance	2013	Average yield (%)
		Interest income			Interest income	
Short-term loans	3,684,391	185,177	5.03	3,297,942	167,117	5.07
Medium to long-term loans	<u>6,914,703</u>	<u>430,311</u>	<u>6.22</u>	<u>6,159,558</u>	<u>381,523</u>	6.19
Total loans and advances to customers	<u>10,599,094</u>	<u>615,488</u>	5.81	<u>9,457,500</u>	<u>548,640</u>	5.80

ANALYSIS OF THE AVERAGE YIELD OF LOANS AND ADVANCES TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	Average balance	2014	Average yield (%)	Average balance	2013	Average yield (%)
		Interest income			Interest income	
Corporate loans	6,750,524	413,751	6.13	6,216,071	378,988	6.10
Discounted bills	221,383	12,746	5.76	171,591	10,330	6.02
Personal loans	2,873,029	162,346	5.65	2,509,792	140,608	5.60
Overseas business	<u>754,158</u>	<u>26,645</u>	<u>3.53</u>	<u>560,046</u>	<u>18,714</u>	3.34
Total loans and advances to customers	<u>10,599,094</u>	<u>615,488</u>	5.81	<u>9,457,500</u>	<u>548,640</u>	5.80

- **Interest Income on Investment**

Interest income on investment was RMB159,262 million, RMB10,748 million or 7.2% higher than that of the previous year. Specifically, interest income on investment in bonds not related to restructuring was RMB154,070 million, representing an increase of RMB11,357 million or 8.0%, mainly because the Bank seized a favorable opportunity in the bond market to increase bond investment and actively optimized the structure of bonds investment portfolios during the reporting period and the new bond investment produced a relatively high yield, resulting into a rise of 19 basis points in average yield of bonds not related to restructuring.

Interest income on bond investments related to restructuring declined by RMB609 million or 10.5% to RMB5,192 million from the previous year, mainly because advance repayment of part of the Huarong bonds in 2013 resulted in a decrease in the average balance.

- **Interest Income on Due From Central Banks**

Interest income on due from central banks was RMB48,384 million, RMB2,897 million or 6.4% higher than that of the previous year, mainly driven by the increase in the size of mandatory reserves with central banks resulting from the growth in customers' deposits.

- **Interest Income on Due from Banks and Other Financial Institutions**

Interest income on due from banks and other financial institutions was RMB26,745 million, RMB2,275 million or 9.3% higher than that of last year, mainly because the Bank actively adjusted the outward financing structure based on the trend of market interest rate and effectively enhanced return on funds operation, resulting in an increase of 55 basis points in average yield.

Interest Expense

- **Interest Expense on Deposits**

Interest expense on deposits amounted to RMB298,941 million, RMB25,144 million or 9.2% higher than that of last year, and accounted for 83.9% of total interest expense, principally due to an increase of RMB784,061 million in average balance of deposits, and a rise of 6 basis points in average cost as affected by a growth in corporate time deposits with a relatively higher cost and upward floating of deposit interest rate.

ANALYSIS OF AVERAGE DEPOSIT COST BY PRODUCTS

In RMB millions, except for percentages

Item	2014			2013		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time deposits	3,398,080	116,431	3.43	3,011,134	99,468	3.30
Demand deposits ⁽¹⁾	<u>3,853,902</u>	<u>30,297</u>	0.79	<u>3,771,329</u>	<u>28,454</u>	0.75
Subtotal	<u>7,251,982</u>	<u>146,728</u>	2.02	<u>6,782,463</u>	<u>127,922</u>	1.89
Personal deposits						
Time deposits	3,911,781	132,379	3.38	3,858,557	129,478	3.36
Demand deposits	<u>2,951,896</u>	<u>10,326</u>	0.35	<u>2,807,087</u>	<u>9,884</u>	0.35
Subtotal	<u>6,863,677</u>	<u>142,705</u>	2.08	<u>6,665,644</u>	<u>139,362</u>	2.09
Overseas business	<u>511,599</u>	<u>9,508</u>	1.86	<u>395,090</u>	<u>6,513</u>	1.65
Total deposits	<u><u>14,627,258</u></u>	<u><u>298,941</u></u>	2.04	<u><u>13,843,197</u></u>	<u><u>273,797</u></u>	1.98

Note: (1) Includes outward remittance and remittance payables.

- **Interest Expense on Due to Banks and Other Financial Institutions**

Interest expense on due to banks and other financial institutions was RMB42,801 million, RMB4,592 million or 12.0% higher than the previous year, principally attributable to an increase of RMB134,002 million in average balance and a rise of 8 basis points in cost. The Bank intensified liquidity management and optimized inter-bank liability structure to make great efforts to control the cost of funding.

- **Interest Expense on Debt Securities Issued**

Interest expense on debt securities issued was RMB14,615 million, RMB2,845 million or 24.2% higher than that of last year, mainly attributable to the rapid increase in the issuance of certificates of deposit and bills by overseas institutions.

Non-interest Income

In 2014, the Bank realized non-interest income of RMB141,336 million, RMB5,770 million or 4.3% higher than that of the previous year. Specifically, net fee and commission income grew by 8.3% to RMB132,497 million, and other non-interest income dropped by 33.2% to RMB8,839 million.

The Bank promoted innovation and development in fee-based business transformation as well as optimization of income structure, and carried out product and service innovation in retail banking to ultimately satisfy customer needs to the maximum extent. It enhanced its investment management and asset allocation capacity of asset management business, standardized the design, marketing and fund investment direction of banking wealth management products, and facilitated coordinated development of private banking, credit card, precious metals, asset custody and pension services. Moreover, the Bank promoted the application of technological progress of financial services to benefit customers and actively reduced or exempted part of service fees, while the new version of service price list strictly followed regulatory rules and exercised standardized fee charging. In 2014, fee and commission income augmented by RMB12,128 million or 9.0% to RMB146,678 million, of which, income from bank card business, private banking and wealth management services achieved a rapid growth. Fee and commission expense increased by 16.0% to RMB14,181 million, mainly attributable to the increase in fee and commission expense from bank card and lease business.

NET FEE AND COMMISSION INCOME

In RMB millions, except for percentages

Item	2014	2013	Increase/ (decrease)	Growth rate (%)
Bank card business	35,133	28,533	6,600	23.1
Investment banking business	30,474	29,486	988	3.4
Settlement, clearing business and cash management	30,422	30,513	(91)	(0.3)
Personal wealth management and private banking services	20,676	18,231	2,445	13.4
Corporate wealth management services	14,929	12,611	2,318	18.4
Asset custody business	5,923	6,893	(970)	(14.1)
Guarantee and commitment business	4,614	4,357	257	5.9
Trust and agency services	2,019	1,857	162	8.7
Others	2,488	2,069	419	20.3
Fee and commission income	146,678	134,550	12,128	9.0
Less: Fee and commission expense	14,181	12,224	1,957	16.0
Net fee and commission income	132,497	122,326	10,171	8.3

Income from bank card business grew by RMB6,600 million or 23.1% to RMB35,133 million, mainly due to the increase in income from relevant business driven by the increase in the number of bank cards issued, consumption volume and acquiring business.

Income from investment banking business rose by RMB988 million or 3.4% to RMB30,474 million. Specifically, the Bank achieved growth in income from businesses including equity financing, merger and acquisition and structural financing.

Income from personal wealth management and private banking services amounted to RMB20,676 million, increasing by RMB2,445 million or 13.4%, of which, income from private banking and personal wealth management services increased rapidly.

Income from corporate wealth management services rose by RMB2,318 million or 18.4% to RMB14,929 million, mainly due to the increase in investment income from corporate wealth management products and income from gold accumulation service.

Income from others increased by RMB419 million or 20.3% to RMB2,488 million, mainly attributable to a fast growth in income from pension business.

Income from settlement, clearing business and cash management was RMB30,422 million, slightly lower than that of last year, mainly because the List of Service Prices of Commercial Banks Guided and Mandated by the Government was promulgated to decrease the fee standards for some products settled in RMB, leading to an increase in business volume of RMB settlement and certain decline in income at the same time. Income from franchise foreign exchange purchase and sales and e-commerce business realized a fast growth.

OTHER NON-INTEREST RELATED GAIN

In RMB millions, except for percentages

Item	2014	2013	Increase/ (decrease)	Growth rate (%)
Net trading income	1,745	154	1,591	1,033.1
Net loss on financial assets and liabilities designated at fair value through profit or loss	(10,024)	(2,413)	(7,611)	N/A
Net gain on financial investments	1,803	625	1,178	188.5
Other operating income, net	<u>15,315</u>	<u>14,874</u>	<u>441</u>	3.0
Total	<u>8,839</u>	<u>13,240</u>	<u>(4,401)</u>	(33.2)

Other non-interest income was RMB8,839 million, RMB4,401 million less than that in 2013, mainly because the increase in expenses from structural deposits paid to customers resulted in a large increase in net loss on financial assets and liabilities designated at fair value through profit or loss.

Operating Expenses

OPERATING EXPENSES

In RMB millions, except for percentages

Item	2014	2013	Increase/ (decrease)	Growth rate (%)
Staff costs	112,022	103,455	8,567	8.3
Including: Salaries and bonuses	70,284	68,216	2,068	3.0
Premises and equipment expenses	28,898	26,094	2,804	10.7
Business tax and surcharges	41,351	37,441	3,910	10.4
Amortisation	2,211	2,018	193	9.6
Others	34,192	35,132	(940)	(2.7)
Total	<u>218,674</u>	<u>204,140</u>	<u>14,534</u>	7.1

The Bank exercised strict cost management and control and continued to boost its operating efficiency. Operating expenses recorded at RMB218,674 million, RMB14,534 million or 7.1% higher than that in 2013, among which, staff costs grew by 8.3% to RMB112,022 million; salaries and bonuses added by 3.0%; and other operating expenses dropped by 2.7% to RMB34,192 million, mainly due to a reduction in marketing expense, conference expense and publicity expense compared with last year. Cost-to-income ratio declined by 0.87 percentage points to 27.93%.

Impairment Losses

The Bank continued to strengthen loan risk prevention and control and maintained its capability in risk offsetting. It set aside allowance for impairment losses of RMB56,729 million, an increase of RMB18,408 million or 48.0% as compared to the previous year. Specifically, allowance for impairment losses on loans was RMB56,267 million, indicating a rise of RMB18,169 million or 47.7%.

Income Tax Expense

Income tax expense was RMB85,326 million, RMB9,754 million or 12.9% higher than that of the previous year. The effective tax rate stood at 23.60%.

4.2 Segment Information

The Bank's principal operating segments include corporate banking, personal banking and treasury operations. The Bank adopts the Management of Value Accounting (MOVA) to evaluate the performance of each of its operating segments.

SUMMARY OPERATING SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate banking	303,372	47.8	281,784	48.7
Personal banking	237,532	37.4	200,028	34.6
Treasury operations	85,674	13.5	89,310	15.4
Others	8,280	1.3	7,779	1.3
Total operating income	634,858	100.0	578,901	100.0

SUMMARY GEOGRAPHICAL SEGMENT INFORMATION

In RMB millions, except for percentages

Item	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Head Office	70,920	11.1	39,326	6.8
Yangtze River Delta	114,886	18.1	114,107	19.7
Pearl River Delta	79,061	12.5	74,761	12.9
Bohai Rim	114,660	18.1	114,472	19.8
Central China	83,771	13.2	80,006	13.8
Western China	102,591	16.2	95,872	16.6
Northeastern China	32,715	5.2	32,056	5.5
Overseas and others	36,254	5.6	28,301	4.9
Total operating income	634,858	100.0	578,901	100.0

4.3 Balance Sheet Analysis

In 2014, the Bank timely adjusted its business strategy based on the external macroeconomic environment, improved the asset and liability structure, maintained coordinated development of deposit and loan business, strengthened liquidity management and interest rate pricing management and strived to enhance the efficiency of resource allocation for assets and liabilities. Taking development needs of the real economy into account, the Bank reasonably controlled the aggregate amount, direction and pace of lending. Closely monitoring the trends of the domestic and international financial markets, the Bank flexibly arranged its investment schedule and priorities and optimized the structure of investment portfolios. It followed the fund position and the trend of price changes to develop inter-bank business in a prudent manner. Furthermore, the Bank actively adopted measures to promote steady growth in due to customers, and refined the inter-bank liability structure, thereby ensuring a stable and sustainable growth of funding sources.

Assets Deployment

As at the end of 2014, total assets of the Bank amounted to RMB20,609,953 million, RMB1,692,201 million or 8.9% higher than that at the end of the previous year. Specifically, total loans and advances to customers (collectively referred to as “loans”) increased by RMB1,103,957 million or 11.1%; investment grew by RMB110,993 million or 2.6%; and cash and balances with central banks rose by RMB229,615 million or 7.0%. In terms of structure, net loans and advances to customers accounted for 52.2% of total assets; investment accounted for 21.5%; and cash and cash balances with central banks accounted for 17.1%.

ASSETS DEPLOYMENT

In RMB millions, except for percentages

Item	At 31 December 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Total loans and advances to customers	11,026,331	—	9,922,374	—
Less: Allowance for impairment losses on loans	257,581	—	240,959	—
Loans and advances to customers, net	10,768,750	52.2	9,681,415	51.2
Investment	4,433,237	21.5	4,322,244	22.8
Cash and balances with central banks	3,523,622	17.1	3,294,007	17.4
Due from banks and other financial institutions	782,776	3.8	717,984	3.8
Reverse repurchase agreements	468,462	2.3	331,903	1.8
Others	633,106	3.1	570,199	3.0
Total assets	<u>20,609,953</u>	<u>100.0</u>	<u>18,917,752</u>	<u>100.0</u>

Loan

In 2014, the Bank attached importance to the combination of credit increment optimization and structural adjustment in supporting the real economy development based on changes in macroeconomic environment and financial regulatory requirements. The Bank continuously bolstered the national key projects under construction and continuing projects, focused on supporting advanced manufacturing, modern services, culture industries and strategic emerging sectors, innovated the financial service modes for small and micro enterprises, and intensified its support for the “Going Global” Chinese-invested enterprises. Besides, the Bank proactively backed rational credit demands of residents, and paid equal attention to both credit structure adjustment and risk prevention and control, maintaining a stable and balanced loan growth and the reasonable lending direction and structure. As at the end of 2014, total loans reached RMB11,026,331 million, RMB1,103,957 million or 11.1% higher than that at the end of the previous year, of which, RMB-denominated loans of domestic branches were RMB9,717,224 million, RMB902,042 million or 10.2% higher than that at the end of 2013.

DISTRIBUTION OF LOANS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans	7,612,592	69.0	7,046,515	71.0
Discounted bills	350,274	3.2	148,258	1.5
Personal loans	3,063,465	27.8	2,727,601	27.5
Total	11,026,331	100.0	9,922,374	100.0

Corporate loans rose by RMB566,077 million or 8.0% from the end of last year. In terms of maturity structure, short-term corporate loans increased by RMB111,387 million or 3.9%, while medium to long-term corporate loans grew by RMB454,690 million or 10.9%. In terms of product type, working capital loans were RMB183,922 million or 5.7% higher, mainly because the Bank actively responded to the strategy of economic transformation and upgrade, and stepped up its support to superior enterprises in advanced manufacturing, modern services and other sectors; project loans increased by RMB408,906 million or 12.4%, mainly due to the continuous support to national key projects under construction and continuing projects; and property loans declined by RMB26,751 million or 5.2%.

Discounted bills rose by RMB202,016 million or 136.3%, principally because the Bank moderately increased its supply of discounted bills based on the pace of bank-wide credit granting to satisfy management needs of asset-liability portfolios.

Personal loans rose by RMB335,864 million or 12.3%, primarily resulting from an increase of RMB349,831 million or 20.3% in residential mortgages. Personal consumption loans dropped by RMB61,249 million or 16.5%, mainly because the Bank reinforced the purpose management on personal consumption loans and took the initiative to adjust the loan product system. Personal business loans declined by RMB11,828 million or 3.6%, mainly due to the lower willingness of some small and micro business owners to obtain financing, as affected by the decelerated growth of the macro economy. Credit card overdrafts grew by RMB59,110 million or 19.2%, primarily attributable to the continuously healthy development of credit card installment business as well as a stable growth in the number of credit cards issued and their consumption volume.

DISTRIBUTION OF LOANS BY FIVE-CATEGORY CLASSIFICATION

In RMB millions, except for percentages

Item	At 31 December 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Pass	10,582,050	95.97	9,632,523	97.08
Special mention	319,784	2.90	196,162	1.98
NPLs	124,497	1.13	93,689	0.94
Substandard	66,809	0.60	36,532	0.37
Doubtful	49,359	0.45	43,020	0.43
Loss	8,329	0.08	14,137	0.14
Total	11,026,331	100.00	9,922,374	100.00

Loan quality was generally stable. As at the end of 2014, according to the five-category classification, pass loans amounted to RMB10,582,050 million, representing an increase of RMB949,527 million from the end of the previous year and accounting for 95.97% of total loans. Special mention loans amounted to RMB319,784 million, representing an increase of RMB123,622 million and accounted for 2.90% of the total. NPLs amounted to RMB124,497 million, increased by RMB30,808 million, and NPL ratio was 1.13%, up 0.19 percentage points.

DISTRIBUTION OF LOANS AND NPLS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2014				At 31 December 2013			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Corporate loans	7,612,592	69.0	92,277	1.21	7,046,515	71.0	73,253	1.04
Discounted bills	350,274	3.2	71	0.02	148,258	1.5	10	0.01
Personal loans	3,063,465	27.8	32,149	1.05	2,727,601	27.5	20,426	0.75
Total	11,026,331	100.0	124,497	1.13	9,922,374	100.0	93,689	0.94

Non-performing corporate loans stood at RMB92,277 million, increasing by RMB19,024 million from the end of the previous year, and NPL ratio was 1.21%, up 0.17 percentage points, which was mainly due to loan default by some enterprises, especially small and medium-sized enterprises as a result of operating difficulties in the face of macroeconomic slowdown and weak external markets. Non-performing personal loans stood at RMB32,149 million, increased by RMB11,723 million, and NPL ratio was 1.05%, which was mainly due to the increase in NPL amount of personal loans as a result of decrease of operating income or salaries of some borrowers.

DISTRIBUTION OF LOANS AND NPLS BY GEOGRAPHIC AREA

In RMB millions, except for percentages

Item	At 31 December 2014				31 December 2013			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Head Office	475,485	4.3	5,139	1.08	388,097	3.9	4,069	1.05
Yangtze River Delta	2,191,188	19.9	26,208	1.20	2,071,035	20.9	22,568	1.09
Pearl River Delta	1,453,273	13.2	23,858	1.64	1,319,021	13.3	15,507	1.18
Bohai Rim	1,861,749	16.9	20,611	1.11	1,731,710	17.5	16,626	0.96
Central China	1,500,909	13.6	17,194	1.15	1,340,628	13.5	14,323	1.07
Western China	1,988,934	18.0	20,701	1.04	1,750,714	17.6	11,490	0.66
Northeastern China	625,457	5.7	6,932	1.11	568,511	5.7	5,443	0.96
Overseas and others	929,336	8.4	3,854	0.41	752,658	7.6	3,663	0.49
Total	11,026,331	100.0	124,497	1.13	9,922,374	100.0	93,689	0.94

The Bank continuously optimized the geographic credit mix and promoted a balanced allocation of credit resources for different geographic areas, maintaining the stability of credit quality. The Bank actively supported the regional development of Central China, Western China and Northeastern China, and granted RMB455,447 million loans to the three regions, accounting for 41.3% of the total new loans. Overseas and other loans increased by RMB176,678 million or 23.5%, accounting for 16.0% of the total new loans, which was mainly due to the rapid lending growth of ICBC (Macau), ICBC (Asia) and other overseas institutions, resulting from their stronger support to “Going Global” of Chinese-funded enterprises, innovation in cross-border trade finance and efforts in exploring local businesses.

The Western China, the Pearl River Delta and the Bohai Rim witnessed relatively large increases in NPLs. NPL increase in Western China was mainly caused by loan default of some coal-related enterprises as a result of price fall in coal, as well as NPL increase of several other enterprises. NPL rise in the Pearl River Delta primarily resulted from operating difficulties of some small and medium-sized trade enterprises in the face of weak domestic and overseas demand. NPL rise in the Bohai Rim was largely due to loan default of some enterprises in the manufacturing and wholesale & retail industry afflicted by funds shortage.

DISTRIBUTION OF CORPORATE LOANS AND NON-PERFORMING CORPORATE LOANS OF DOMESTIC BRANCHES BY INDUSTRY

In RMB millions, except for percentages

Item	At 31 December 2014				At 31 December 2013			
	Loan	Percentage (%)	NPLs	NPL ratio (%)	Loan	Percentage (%)	NPLs	NPL ratio (%)
Manufacturing	1,532,947	22.7	35,681	2.33	1,488,594	23.5	27,054	1.82
Chemical industry	256,186	3.8	3,637	1.42	237,524	3.7	3,159	1.33
Machinery	238,857	3.5	6,288	2.63	232,245	3.7	4,482	1.93
Metal processing	175,163	2.6	4,819	2.75	180,786	2.9	3,646	2.02
Textiles and apparels	139,117	2.1	4,181	3.01	141,603	2.2	4,460	3.15
Computer, telecommunications equipment, and other electronic equipment	121,013	1.8	906	0.75	99,701	1.6	1,000	1.00
Iron and steel	111,892	1.7	908	0.81	120,375	1.9	321	0.27
Transport equipment	98,443	1.5	3,569	3.63	88,098	1.4	1,635	1.86
Non-metallic mineral	70,236	1.0	1,980	2.82	67,942	1.1	1,843	2.71
Petroleum processing, coking and nuclear fuel	51,951	0.8	204	0.39	58,267	0.9	399	0.68
Others	270,089	3.9	9,189	3.40	262,053	4.1	6,109	2.33
Transportation, storage and postal services	1,335,127	19.8	4,226	0.32	1,219,345	19.2	5,381	0.44
Wholesale and retail	772,536	11.5	35,612	4.61	786,202	12.4	26,739	3.40
Production and supply of electricity, heat, gas and water	699,649	10.4	1,353	0.19	618,246	9.8	1,813	0.29
Leasing and commercial service	575,469	8.5	2,164	0.38	456,519	7.2	867	0.19
Water, environment and public utility management	470,014	7.0	56	0.01	465,037	7.3	114	0.02
Real estate	443,471	6.6	3,713	0.84	463,585	7.3	4,029	0.87
Mining	262,338	3.9	1,576	0.60	245,930	3.9	629	0.26
Construction	205,881	3.1	1,242	0.60	181,605	2.9	881	0.49
Accommodation and catering	159,469	2.4	1,312	0.82	146,625	2.3	739	0.50
Science, education, culture and sanitation	114,012	1.7	429	0.38	100,878	1.6	535	0.53
Others	172,986	2.4	1,306	0.75	166,154	2.6	1,061	0.64
Total	6,743,899	100.0	88,670	1.31	6,338,720	100.0	69,842	1.10

In 2014, the Bank navigated credit extension and credit structure adjustment in a scientific manner, and proactively supported the development of advanced manufacturing, modern service sector, culture industries and strategic emerging industries in line with the country's economic structural adjustment orientation. The increment of loans to the leasing and commercial service industry was RMB118,950 million, up 26.1%, which was mainly attributable to the rapid growth of loans to the commercial service and lease of machinery equipment. Loans granted to the transportation, storage and postal services industry increased by RMB115,782 million or 9.5%, which was mainly used to support high-quality transportation infrastructure construction projects. Loans granted to the production and supply of electricity, heat, gas and water industry rose by RMB81,403 million or 13.2%, mainly meeting the loan demand of the energy sector. Loans to the real estate industry decreased by RMB20,114 million, which primarily resulted from continuous strict limit management on the industry. Loans to the wholesale and retail industry declined by RMB13,666 million, which was mainly caused by the Bank's proactive adjustment of its commodity financing business.

NPLs of the transportation, storage and postal services industry declined by a large margin. Increase in NPLs of the wholesale and retail industry was largely attributable to loan default of some wholesale enterprises triggered by funds shortage, which is caused by macroeconomic slowdown and price fall of bulk commodity. NPLs increased in the manufacturing industry, mainly because of operating difficulties of some enterprises in industries facing overcapacity pressure, amidst macroeconomic slowdown and declining market demand.

CHANGES IN ALLOWANCE FOR IMPAIRMENT LOSSES ON LOANS

In RMB millions

	Individually assessed	Collectively assessed	Total
At the beginning of the year	39,065	201,894	240,959
Charge for the year	37,610	18,657	56,267
Including: Impairment allowances charged	59,516	134,411	193,927
Impairment allowances transferred	861	(861)	—
Reversal of impairment allowances	(22,767)	(114,893)	(137,660)
Accrued interest on impaired loans	(2,779)	—	(2,779)
Write-offs	(33,875)	(4,489)	(38,364)
Recoveries of loans and advances previously written off	1,224	274	1,498
At the end of the year	41,245	216,336	257,581

As at the end of 2014, the allowance for impairment losses on loans stood at RMB257,581 million, a year-on-year increase of RMB16,622 million. Allowance to NPL was 206.90%; allowance to total loans was 2.34% and that to loans of domestic branches was 2.48%.

DISTRIBUTION OF LOANS BY COLLATERAL

In RMB millions, except for percentages

Item	At 31 December 2014		31 December 2013	
	Amount	Proportion (%)	Amount	Proportion (%)
Loans secured by mortgages	4,964,791	45.0	4,446,023	44.8
Including: Residential mortgages	2,070,366	18.8	1,720,535	17.3
Pledged loans	1,372,605	12.5	1,184,175	11.9
Including: Discounted bills	350,274	3.2	148,258	1.5
Guaranteed loans	1,534,012	13.9	1,365,199	13.8
Unsecured loans	3,154,923	28.6	2,926,977	29.5
Total	11,026,331	100.0	9,922,374	100.0

Loans secured by mortgages stood at RMB4,964,791 million, representing an increase of RMB518,768 million or 11.7% from the end of the previous year. Pledged loans amounted to RMB1,372,605 million, representing an increase of RMB188,430 million or 15.9% from the end of the previous year. Unsecured loans amounted to RMB3,154,923 million, representing an increase of RMB227,946 million or 7.8% from the end of the previous year.

OVERDUE LOANS

In RMB millions, except for percentages

Overdue periods	At 31 December 2014		At 31 December 2013	
	Amount	% of total	Amount	% of total
1 to 90 days	95,410	0.87	53,868	0.54
91 days to 1 year	65,134	0.59	36,230	0.37
1 to 3 years	35,152	0.32	20,848	0.21
Over 3 years	14,882	0.13	22,685	0.23
Total	210,578	1.91	133,631	1.35

Note: Loans and advances to customers are deemed overdue when either the principal or interest is overdue. For loans and advances to customers repayable by installments, the total amount of loans is deemed overdue if part of the installments is overdue.

Overdue loans stood at RMB210,578 million, representing an increase of RMB76,947 million from the end of the previous year. Among which, loans overdue for over 90 days amounted to RMB115,168 million, representing an increase of RMB35,405 million.

Renegotiated Loans

Renegotiated loans and advances amounted to RMB4,579 million, representing a decrease of RMB350 million or 7.1% as compared to the end of the previous year. Renegotiated loans and advances overdue for over three months amounted to RMB1,926 million, representing a decrease of RMB775 million.

Extended Loans

The balance of extended loans amounted to RMB28,988 million, representing an increase of RMB18,605 million from the end of the previous year, of which the NPL was RMB4,212 million, representing an increase of RMB1,736 million from the end of last year.

Borrower Concentration

The total amount of loans granted by the Bank to the single largest customer and top ten single customers accounted for 4.8% and 14.9% of the Bank's net capital respectively. The total amount of loans granted to the top ten single customers was RMB270,381 million, accounting for 2.5% of the total loans.

Investment

In 2014, the Bank precisely seized opportunities in the market, flexibly organized its investment schedule and focus, optimized the investment structure in strict adherence to the trends in financial markets, and continuously improved the return on investment portfolios on the basis of guaranteeing liquidity and risk under control. As at the end of 2014, investment amounted to RMB4,433,237 million, RMB110,993 million or 2.6% higher compared with the end of the previous year.

INVESTMENT

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Debt instruments	4,268,560	96.3	4,144,950	95.9
Investment in bonds not related to restructuring	3,978,565	89.7	3,836,995	88.8
Investment in bonds related to restructuring	197,128	4.4	231,046	5.3
Other debt instruments	92,867	2.2	76,909	1.8
Equity instruments and others	164,677	3.7	177,294	4.1
Total	<u>4,433,237</u>	<u>100.0</u>	<u>4,322,244</u>	<u>100.0</u>

Bonds not related to restructuring amounted to RMB3,978,565 million, RMB141,570 million or 3.7% higher than that at the end of last year. Investment in bonds related to restructuring was RMB197,128 million, reducing by RMB33,918 million or 14.7%, mainly due to advance repayment of part of the Huarong bonds.

DISTRIBUTION OF INVESTMENT IN BONDS NOT RELATED TO RESTRUCTURING BY ISSUERS

Item	<i>In RMB millions, except for percentages</i>			
	At 31 December 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	1,026,985	25.8	976,351	25.4
Central bank bills	346,154	8.7	389,662	10.2
Policy bank bonds	1,687,791	42.4	1,682,619	43.9
Other bonds	917,635	23.1	788,363	20.5
Total	<u>3,978,565</u>	<u>100.0</u>	<u>3,836,995</u>	<u>100.0</u>

In terms of distribution by issuers, government bonds increased by RMB50,634 million or 5.2%; central banks bills fell by RMB43,508 million or 11.2%, principally because of the maturity of part of the central bank bills during the reporting period; policy bank bonds added by RMB5,172 million or 0.3%; and other bonds augmented by RMB129,272 million or 16.4%, mainly because the Bank moderately intensified investment in high-quality credit bonds.

DISTRIBUTION OF INVESTMENT BY HOLDING PURPOSE

In RMB millions, except for percentages

Item	At 31 December 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Financial assets at fair value through profit or loss	346,828	7.8	372,556	8.6
Available-for-sale financial assets	1,188,288	26.8	1,000,800	23.2
Held-to-maturity investments	2,566,390	57.9	2,624,400	60.7
Receivables	331,731	7.5	324,488	7.5
Total	4,433,237	100.0	4,322,244	100.0

Liabilities

As at the end of 2014, total liabilities of the Bank amounted to RMB19,072,649 million, RMB1,433,360 million or 8.1% higher than that at the end of the previous year.

LIABILITIES

In RMB millions, except for percentages

Item	At 31 December 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Due to customers	15,556,601	81.6	14,620,825	82.9
Due to banks and other financial institutions	1,539,239	8.1	1,269,255	7.2
Repurchase agreements	380,957	2.0	299,304	1.7
Debt securities issued	279,590	1.4	253,018	1.4
Others	1,316,262	6.9	1,196,887	6.8
Total liabilities	19,072,649	100.0	17,639,289	100.0

Due to Customers

Due to customers is the Bank's main source of fund. In 2014, proactively responding to the changes in external environment such as in-depth advancement of interest rate liberalization, increasingly fierce inter-bank competition and rapid development of Internet-based finance, the Bank gave full play to its comprehensive edges in financial services, improved the differential pricing mechanism of deposit interest rate, reinforced marketing for deposits and promoted the steady growth in deposit business. As at the end of 2014, the balance of due to customers was RMB15,556,601 million, RMB935,776 million or 6.4% higher than that at the end of the previous year. In terms of customer structure, the balance of corporate deposits grew by RMB533,636 million or 7.1%; and the balance of personal deposits increased by RMB292,768 million or 4.2%. In terms of maturity structure, the balance of time deposits rose by RMB571,372 million or 7.8%, while the balance of demand deposits grew by RMB255,032 million or 3.6%.

DISTRIBUTION OF DUE TO CUSTOMERS BY BUSINESS LINE

In RMB millions, except for percentages

Item	At 31 December 2014		At 31 December 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate deposits				
Time deposits	3,902,305	25.1	3,464,625	23.7
Demand deposits	4,134,828	26.6	4,038,872	27.6
Subtotal	8,037,133	51.7	7,503,497	51.3
Personal deposits				
Time deposits	4,034,790	25.9	3,901,098	26.7
Demand deposits	3,153,817	20.3	2,994,741	20.5
Subtotal	7,188,607	46.2	6,895,839	47.2
Other deposits⁽¹⁾	330,861	2.1	221,489	1.5
Total	15,556,601	100.0	14,620,825	100.0

Note: (1) Includes outward remittance and remittance payables.

4.4 Capital Adequacy Ratio and Leverage Ratio

In April 2014, CBRC officially approved the Bank's implementation of advanced capital management approaches. In accordance with the implementation terms of the approval, the foundation internal ratings-based (IRB) approach has been adopted for corporate credit risk, the IRB approach for retail credit risk, the internal model approach (IMA) for market risk, and the standardized approach for operational risk meeting regulatory requirements.

CHANGES IN VARIOUS RISK MEASUREMENT APPROACHES

Risk type	At 31 December 2014	At 31 December 2013
Credit risk	Parts covered by internal ratings-based approach	
	Corporate risk exposure	Foundation internal ratings-based approach
	Retail risk exposure	Internal ratings-based approach
	Parts uncovered by internal ratings-based approach	Weighted approach
Market risk	Parts covered by internal model approach	Internal model approach
	Parts uncovered by internal model approach	Standardized approach
Operational risk	Standardized approach	Basic indicator approach

As at the end of 2014, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio calculated by the Bank in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC stood at 11.92%, 12.19% and 14.53%, respectively, complying with regulatory requirements. In 2014, the Bank's profits maintained continuous growth and effectively replenished the core tier 1 capital. The Bank proactively carried out external capital replenishment and effectively replenished the additional tier 1 capital and tier 2 capital. Meanwhile, the Bank further reinforced its capital constraint mechanism so that the growth rate of risk-weighted assets was controlled effectively and that the capital adequacy ratio remained at a moderate level. In addition, the adoption of advanced

capital measurement approaches had a positive impact on the Bank's current capital adequacy ratio.

CAPITAL ADEQUACY RATIO

In RMB millions, except for percentages

Item	At 31 December 2014	At 31 December 2013
Core tier 1 capital	1,498,403	1,276,344
Paid-in capital	353,495	351,390
Valid portion of capital reserve	144,874	108,202
Surplus reserve	150,752	123,870
General reserve	221,622	202,940
Retained profits	650,308	512,024
Valid portion of minority interests	2,191	1,956
Others	(24,839)	(24,038)
Core tier 1 capital deductions	11,670	9,503
Goodwill	8,487	8,049
Other intangible assets other than land use rights	1,279	1,474
Cash flow hedge reserves that relate to the hedging of items that are not fair valued on the balance sheet	(3,796)	(3,920)
Investment in core tier 1 capital instruments issued by financial institutions that are under control but not subject to consolidation	5,700	3,900
Net core tier 1 capital	1,486,733	1,266,841
Additional tier 1 capital	34,500	18
Additional tier 1 capital instruments and related premium	34,428	—
Valid portion of minority interests	72	18
Net tier 1 capital	1,521,233	1,266,859
Tier 2 capital	306,704	324,806
Valid portion of tier 2 capital instruments and related premium	187,829	189,877
Surplus provision for loan impairment	118,633	134,857
Valid portion of minority interests	242	72
Tier 2 capital deductions	15,800	19,400
Significant minority investments in tier 2 capital instruments issued by financial institutions that are not subject to consolidation	15,800	19,400
Net capital base	1,812,137	1,572,265
Risk-weighted assets⁽¹⁾	12,475,939	11,982,187
Core tier 1 capital adequacy ratio	11.92%	10.57%
Tier 1 capital adequacy ratio	12.19%	10.57%
Capital adequacy ratio	14.53%	13.12%

Note: (1) As at the end of 2014, this refers to risk-weighted assets after capital floor and adjustments.

Please refer to the 2014 Capital Adequacy Ratio Report of Industrial and Commercial Bank of China Limited issued by the Bank for further information on capital measurement of the Bank.

LEVERAGE RATIO

In RMB millions, except for percentages

Item	At	At
	31 December 2014	31 December 2013
Tier 1 capital	1,532,903	1,276,362
Deductions of tier 1 capital	11,670	9,503
Net tier 1 capital	1,521,233	1,266,859
Balance of adjusted on-balance sheet assets	20,597,355	18,927,994
Balance of adjusted off-balance sheet items	2,824,092	2,557,075
Balance of adjusted on- and off-balance sheet assets	23,409,777	21,475,566
Leverage ratio	6.50%	5.90%

Note: Calculated based on relevant provisions in the Administrative Measures for Leverage Ratio of Commercial Banks promulgated by CBRC in 2011.

4.5 Other Information Disclosed Pursuant to Regulatory Requirements

MAJOR REGULATORY INDICATORS

Item		Regulatory criteria	2014	2013	2012
Liquidity ratio (%)	RMB	≥ 25.0	33.2	30.2	32.5
	Foreign currency	≥ 25.0	91.1	61.0	65.2
Loan-to-deposit ratio (%)	RMB and foreign currency	≤ 75.0	68.4	66.6	64.1
	RMB and foreign currency	$\geq 100.0^{(2)}$	142.4	—	—
Percentage of loans to single largest customer (%)		≤ 10.0	4.8	4.2	4.0
Percentage of loans to top 10 customers (%)			14.9	16.2	17.9
Loan migration ratio (%)	Pass		2.7	1.7	1.9
	Special mention		17.2	9.7	4.1
	Substandard		37.4	43.9	28.1
	Doubtful		5.2	9.5	4.4

Notes: (1) The regulatory indicators of the current period in the table are calculated in accordance with related regulatory requirements, definitions and accounting standards applicable to the current period. The comparative figures are not adjusted and restated.

- (2) Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 60%, 70%, 80% and 90% by the end of 2014, 2015, 2016 and 2017, respectively.

GLOBAL SYSTEMICALLY IMPORTANCE ASSESSMENT INDICATORS OF COMMERCIAL BANKS

Indicator	<i>In RMB millions</i>	
	2014	2013
Balance of adjusted on- and off-balance sheet assets	23,409,777	21,475,566
Intra-financial system assets	2,191,729	2,113,543
Intra-financial system liabilities	1,630,141	1,314,192
Securities and other financing instruments issued	1,937,790	1,557,845
Payments settled via payment systems or correspondent banks	287,748,223	220,468,189
Assets under custody	5,828,863	4,621,301
Underwritten transactions in debt and equity markets	512,679	329,523
Notional amount of over-the-counter (OTC) derivatives	2,529,568	2,198,301
Trading and available-for-sale securities	625,941	92,585
Level 3 assets	155,102	144,819
Cross-jurisdictional claims	915,598	841,895
Cross-jurisdictional liabilities	1,155,853	1,046,604

4.6 Outlook

At present, the global economy is still undergoing profound post-crisis adjustment while the Chinese economy enters into a new normal featuring “medium-high-level growth rate, structure optimization, new driving forces and various challenges”. Meanwhile, the financial regulatory environment and market operational mechanism are also undergoing profound changes, bringing a slew of new opportunities and challenges to business development of the Bank.

Major opportunities faced by the Bank are listed as follows. First, as the Chinese economy is of strong resilience, great potential and has plentiful room for maneuvering, the simultaneous acceleration of economic growth model transformation and structural adjustment have created a stable and healthy environment for business development of the Bank in general. Second, with the advance of “New Four Modernizations” and implementation of the strategy of developing the “Three Supporting Belts” comprising “One Belt And One Road”, the synchronizing development of Beijing-Tianjin-Hebei region, and the Yangtze River Economic Belt, the Bank is offered new opportunities and broad room for transformation and development. Third, the booming Internet technology and extensive application of big data technology have offered good opportunities for the Bank to propel fundamental reform on operation and management models and service methods. Fourth, new favorable conditions for the Bank’s internationalized development and integrated operation will be created by the nation’s new round of high-quality opening-up and comprehensive deepening of financial reform in key sectors.

Major challenges faced by the Bank include: First, in the process of de-capacity, de-stocking and de-leverage of the real economy, enterprises in some industries are under mounting pressure to maintain stable credit asset quality. At the same time, various risks in domestic and overseas operations as well as on- and off-balance sheet operations interact and change, and emerge frequently in many fields, which raise higher requirements on the Bank's comprehensive risk prevention and control ability. Second, a series of macro-prudential regulatory rules under the framework of Basel III have been gradually carried out, resulting in stricter regulatory requirements on banks regarding capital, liquidity and leverage ratio, which necessitates further adjustment and transformation of the business structure and model. Third, market pricing ability and profit growth of banks are challenged by the accelerated reform of interest rate liberalization. Fourth, multi-tier capital market is growing rapidly and Internet banking springs up, which bring fiercer competition to banks.

2014 was the year of completing the first ten-year development outline and the third three-year development planning of the Bank after its shareholding reform. Major operating indicators were fully completed, indicating a new step in business development of the Bank. 2015 is a critical year for the Bank's transformation and development, and is also the starting year of the new round of ten-year development outline and three-year development planning. The Bank will proactively adapt to the economic new normal, seize opportunities and rise up to challenges, striving to increase quality and efficiency and maintain healthy and stable growth in the new economic and market environment.

- Serve the real economy and optimize credit business layout. The Bank will closely track financial needs under the new normal, innovate in and improve credit management and make full use of existing and new credit facilities in a coordinated manner, in a bid to raise the efficiency in allocating credit resources and the effectiveness in serving the real economy. By seizing the new opportunities emerging during the implementation of national strategies and plans, the Bank will actively support the development of the "Three Supporting Belts", the 21st Century Maritime Silk Road, the Beijing-Tianjin-Hebei region, and the Yangtze Economic Belt as well as modern service industry, advanced manufacturing, cultural industry and strategic emerging industries that conform to the national industrial structure adjustment direction. In addition, the Bank will actively explore and improve the small and micro financial service model and innovatively expand personal credit business, to support the development of small and micro economies.
- Firmly promote business transformation and innovative development. The Bank will put equal emphasis on the transformation and upgrading of traditional businesses and the rapid growth of emerging businesses, actively cultivate new profit growth points and build retail finance, asset management and other operations into important driving forces of business transformation and upgrading. It will promote in-depth internationalized operation and strive to improve overseas institutions' local operation standard and profit contribution to the Group. Furthermore, the Bank will step up developing Internet-based finance and establishing an Internet-based finance system featuring numerous and high-quality products, active customer transactions, online and offline interaction and comprehensive service operation.

- Deepen reform on key sectors and links. The Bank will continuously enhance the customer service system and vigorously raise customer service quality. It will reform the capital management mechanism and urge institutions at all levels to strengthen self-restraint on capital and increase the capital allocation efficiency and the return level by placing more direct and efficient pressure, so as to increase the capital allocation efficiency and the return level. Besides, the Bank will improve financial resource allocation mechanism and further motivate the value creation of business entities, on the basis of strengthening cost control and expense management.
- Properly manage risks. The Bank will keep strengthening and improving credit management through aspects like improving the credit system, optimizing the credit process and implementing accountability mechanism. It will give full play to the role of big data analysis in risk alert, thus realizing whole-process sophisticated monitoring on risk profile across the Group. It will also understand the cross-market, cross-industry and cross-region risks in the new situation and improve the enterprise risk management system adaptable to internationalized and integrated development.

Based on the macroeconomic requirements and its own operation and development strategies, the Bank expects to increase its total assets and total liabilities by RMB1.3 trillion and RMB1.1 trillion respectively in 2015 and control its NPL ratio at the end of the year within 1.45%.

5. Details of Changes in Share Capital and Shareholding of Substantial Shareholders

5.1 Number of Shareholders and Particulars of Shareholding

As at the end of the reporting period, the Bank had a total number of 827,567 ordinary shareholders and no preference shareholders with their voting rights resumed, including 143,131 holders of H shares and 684,436 holders of A shares. As at the end of the fifth trading day (19 March 2015) before the release day of the Annual Report, the Bank had a total number of 854,445 ordinary shareholders and no preference shareholders with voting rights resumed.

Particulars of shareholding of the top 10 ordinary shareholders of the bank (The following data are based on the register of shareholders as at 31 December 2014)

Name of shareholder	Nature of shareholder	Type of shares	Shareholding percentage (%)	Total number of shares held	<i>Unit: Share</i>	
					Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Central Huijin Investment Ltd.	State-owned	A shares	35.12	124,155,852,951	—	None
Ministry of Finance of the People's Republic of China	State-owned	A shares	34.88	123,316,451,864	—	None
Hong Kong Securities Clearing Company Limited/ HKSCC Nominees Limited	Foreign legal person	A shares H shares	0.18 24.33	625,028,761 86,021,039,918	— —	None Unknown
Ping An Life Insurance Company of China, Ltd. — Traditional — Ordinary insurance products	Other domestic entities	A shares	1.27	4,503,771,410	—	None
ICBC Credit Suisse Asset Management Co., Ltd. — Asset management for specific customers	Other domestic entities	A shares	0.30	1,053,190,083	—	None
China Life Insurance Company Limited — Traditional — Ordinary insurance products — 005L — CT001 Hu	Other domestic entities	A shares	0.09	317,038,827	—	None
TEMASEK FULLERTON ALPHA PTE LTD	Foreign legal person	A shares	0.07	255,422,003	—	None
China Securities Finance Co., Ltd.	Other domestic entities	A shares	0.06	203,612,909	—	None
Guarantee securities accounts for customer unsecured transactions of Guotai Junan Investment Management Co., Ltd.	Other domestic entities	A shares	0.06	196,865,702	—	None
China Foreign Economy and Trade Trust Co., Ltd. — Yun Feng Securities Investment Collective Fund Trust Plan	Other domestic entities	A shares	0.05	188,007,006	—	None

Notes: (1) Particulars of shareholding of H shareholders were based on the number of shares set out in the Bank's register of shareholders maintained at the H share registrar.

(2) The Bank is not aware of any connected relations or concert party action among the afore-mentioned shareholders.

(3) Hong Kong Securities Clearing Company Limited held 625,028,761 A shares and HKSCC Nominees Limited held 86,021,039,918 H shares.

5.2 Particulars of Substantial Shareholders

During the reporting period, the Bank's controlling shareholders and de facto controller remained unchanged.

5.3 Interests and Short Positions Held by Substantial Shareholders and Other Persons

Substantial Shareholders and Persons Having Notifiable Interests or Short Positions Pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance of Hong Kong

As at 31 December 2014, the Bank received notices from the following persons about their interests or short positions held in the Bank's shares and relevant shares, which were recorded in the register pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong as follows:

Interests or short positions of ordinary shares of the Bank:

Holder of A Shares

Name of substantial shareholder	Capacity	Number of A shares held (share)	Nature of interests	Percentage of A shares (%)	Percentage of total ordinary shares (%)
Ministry of Finance of the People's Republic of China ⁽¹⁾	Beneficial owner	118,006,174,032	Long position	44.25	33.38
Central Huijin Investment Ltd. ⁽²⁾	Beneficial owner	118,006,174,032	Long position	44.25	33.38

Notes: (1) According to the register of shareholders of the Bank as at 31 December 2014, Ministry of Finance of the People's Republic of China held 123,316,451,864 shares in the Bank.

(2) According to the register of shareholders of the Bank as at 31 December 2014, Central Huijin Investment Ltd. held 124,155,852,951 shares in the Bank.

Holder of H Shares

Name of substantial shareholder	Capacity	Number of H shares held (share)	Nature of interests	Percentage of H shares (%)	Percentage of total ordinary shares (%)
National Council for Social Security Fund	Beneficial owner	9,540,438,314	Long position	10.99	2.70
Temasek Holdings (Private) Limited	Interest of controlled corporations	7,812,951,355	Long position	9.00	2.21
JPMorgan Chase & Co.	Beneficial owner	981,208,567	Long position	1.13	0.28
	Investment manager	655,207,259	Long position	0.75	0.19
	Trustee (excluding bare trustee)	99,300	Long position	0.00	0.00
	Custodian/ approved lending agent	3,954,514,159	Shares available for lending	4.56	1.12
	Total		5,591,029,285		6.44
Blackrock, Inc.	Beneficial owner	416,834,931	Short position	0.48	0.12
	Interest of controlled corporations	5,239,506,203	Long position	6.04	1.48
		12,070,000	Short position	0.01	0.00

5.4 Conversion and Redemption of A Share Convertible Bonds

The conversion period of A share convertible corporate bonds of Industrial and Commercial Bank of China Limited (“ICBC Convertible Bonds”) started on 1 March 2011. As at 31 December 2014, a total of RMB15,463,371,000 ICBC Convertible Bonds were converted into A shares of the Bank, and the total number of converted shares reached 4,475,667,993 shares. As at the end of the reporting period, an amount of RMB9,536,629,000 of ICBC Convertible Bonds remains outstanding, representing 38.15% of the total value of the issued ICBC Convertible Bonds.

Given that the closing price of A shares of the Bank from 19 November 2014 to 30 December 2014 is not less than 130% (i.e., RMB4.25 per share) of the prevailing conversion price of the ICBC Convertible Bonds (RMB3.27 per share) for 15 trading days out of 30 consecutive trading days, the redemption clause of convertible bonds was triggered. The Board of Directors of the Bank resolved to exercise the right of early redemption of the ICBC Convertible Bonds to redeem all outstanding ICBC Convertible Bonds which appeared on the register on the redemption record date. The abovementioned redemption record date was 12 February 2015. As at 12 February 2015, a total amount of RMB24,985,764,000 ICBC Convertible Bonds were converted into A shares of the Bank, and unconverted ICBC Convertible Bonds of RMB14,236,000 were redeemed by the Bank. The redemption payment date was 26 February 2015 and the delisting date of ICBC Convertible Bonds was 26 February 2015. For the redemption results, payment and delisting details, please refer to the Announcement on Results of Redemption and Delisting of ICBC Convertible Bonds issued by the Bank on 16 February 2015.

5.5 Preference Shares

5.5.1 Issuance and Listing of Preference Shares in Latest Three Years

To ensure the continuous business development of the Bank and further enhance its comprehensive competitiveness and risk resistance capability, the Bank proposed to issue preference shares in domestic and offshore markets so as to replenish additional tier 1 capital. The Meeting of the Board of Directors and the Second Extraordinary General Meeting of 2014 considered and approved the Proposal on General Authorization to Share Issue of Industrial and Commercial Bank of China Limited, the Proposal in Respect of Issuance of Offshore Preference Shares by Industrial and Commercial Bank of China Limited and the Proposal in Respect of Issuance of Domestic Preference Shares by Industrial and Commercial Bank of China Limited on 25 July and 19 September 2014 respectively, approving the Bank to issue preference shares within and outside the People’s Republic of China with an aggregate amount of private offering not more than RMB80.0 billion based on general authorization as well as relevant authorization for the issuance of preference shares. In particular, the Bank was to issue preference shares of not more than RMB35.0 billion or its equivalent in the offshore market and not more than RMB45.0 billion or its equivalent in the domestic market.

Upon the approval granted by CBRC in the Yin Jian Fu [2014] No. 801 Document and by CSRC in the Zheng Jian Xu Ke [2014] No. 1229 Document in November 2014, the Bank privately offered non-cumulative, non-participating and perpetual offshore preference shares in U.S. dollar, Euro and Renminbi on 10 December 2014 (The table below shows the details). The offshore preference shares issued by the Bank were listed on The Stock Exchange of Hong Kong Limited on 11 December 2014.

Type of preference share	Stock code	Dividend rate	Total amount	Full amount of raised fund per share	Number of issued shares
USD preference shares	4603	6%	USD2,940,000,000	USD20	147,000,000
EUR preference shares	4604	6%	EUR600,000,000	EUR15	40,000,000
RMB preference shares	84602	6%	RMB12,000,000,000	RMB100	120,000,000

Each offshore preference share had a par value of RMB100. The USD preference shares, EUR preference shares and RMB preference shares were fully paid and issued in U.S. dollar, Euro and Renminbi.

The offshore preference shares had no maturity. They had no less than 6 qualified placees. They were offered to professional investors only rather than retail investors and transferred privately in the OTC market only.

In accordance with the middle rate of RMB exchange rate on 10 December 2014 published by China Foreign Exchange Trade System, total funds raised from the issuance of offshore preference shares amounted to about RMB34.55 billion. After the deduction of commissions and issuance fees, net funds raised therefrom reached around RMB34.43 billion. All funds raised therefrom net of cost of issuance would be used to replenish additional tier 1 capital and increase capital adequacy ratio.

5.5.2 Changes in Preference Shares

As at the end of the reporting period, the Bank had two preference shareholders (or proxies). As at the end of the fifth trading day (19 March 2015) before the publication date of the Annual Report, the Bank had two preference shareholders (or proxies).

Particulars of shareholding of the top 10 preference shareholders (or proxies) of the bank (The following data are based on the register of shareholders as at 31 December 2014)

Name of shareholder	Nature of shareholder	Type of shares	Increase/ decrease during the reporting period	Shareholding percentage (%)	Total number of shares held	<i>Unit: Share</i>	
						Number of shares subject to restrictions on sales	Number of pledged or locked-up shares
Cede & Co.	Foreign legal person	USD preference shares	147,000,000	47.9	147,000,000	—	None
The Bank of New York Depository (Nominees) Limited	Foreign legal person	RMB preference shares	120,000,000	39.1	120,000,000	—	None
The Bank of New York Depository (Nominees) Limited	Foreign legal person	EUR preference shares	40,000,000	13.0	40,000,000	—	None

Notes: (1) Particulars of shareholding of preference shareholders were based on the number of shares set out in the Bank's register of preference shareholders maintained.

(2) As the issuance was private offering, the register of preference shareholders presented the information on proxies of places.

(3) The Bank is not aware of any connected relations or concerted action among the afore-mentioned preference shareholders.

5.5.3 Profit Distribution of Preference Shares

During the reporting period, the Bank did not distribute any preference share dividend.

5.5.4 Redemption or Conversion of Preference Shares

During the reporting period, the Bank did not redeem or convert any preference share.

5.5.5 Resumption of Voting Rights of Preference Shares

During the reporting period, the Bank did not resume any voting right of preference share.

5.5.6 Accounting Policy Adopted for Preference Shares and Grounds

According to the Rules for Distinguishing Financial Liabilities and Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No. 13) promulgated by Ministry of Finance of the People's Republic of China as well as other accounting standards and main issuance clauses of the offshore preference shares, issued and existing preference shares of the Bank excluded contractual obligations of delivering cash or other financial assets and contractual obligations of settlement by delivering variable equity instruments, and shall be calculated as other equity instruments.

6. Material Assets Acquisition, Sale and Merger

Acquisition of 20% Shares in Bank SinoPac

On 2 April 2013, the Bank, SinoPac Financial Holdings Co., Ltd. (“SinoPac Holdings”) and Bank SinoPac Co., Ltd. (“Bank SinoPac”) entered into an agreement, pursuant to which the Bank shall subscribe 20% shares of SinoPac Holdings or Bank SinoPac. On 27 February 2014, the Bank, SinoPac Holdings and Bank SinoPac entered into an supplemental agreement on the extension of the transaction waiting period. The transaction will be carried out after the limit of shareholding percentage of a commercial bank from Chinese Mainland is relaxed to 20% by the Taiwan’s financial regulator. At that time, the Bank will subscribe for shares of Bank SinoPac. The final completion of the abovementioned transaction is subject to approvals of relevant regulatory authorities.

Acquisition of 60% Shares in Standard Bank PLC

On 29 January 2014, the Bank entered into a share purchase agreement to acquire 60% of the existing issued shares in Standard Bank PLC (“Target Bank”) from Standard Bank London Holdings Limited (“SBLH”). In addition, the Bank also has a five-year option to acquire additional 20% of the existing issued shares of Target Bank exercisable from the second anniversary of the date that the transaction is completed (the “Call Option”). SBLH will have a put option, exercisable six months following the date on which the Bank’s Call Option is exercised, to require the Bank to purchase all shares of the Target Bank that are held by SBLH and its related parties. This transaction was completed on 1 February 2015 (Beijing time) after obtaining approval from domestic and overseas regulatory authorities and complying with relevant preconditions for completion.

Acquisition of 75.5% Shares of Tekstilbank

On 29 April 2014, the Bank entered into a share purchase agreement to acquire 75.5% of the existing issued shares in Tekstilbank from GSD Holding A.Ş. of Turkey. According to the capital markets law of Turkey, this transaction will trigger the provision that a mandatory tender offer shall be issued to purchase all the remaining shares of Tekstilbank that are traded on the Istanbul Stock Exchange. The Board of Directors of the Bank has authorized the Bank to issue a mandatory tender offer for the remaining shares at a proper time. The final completion of the abovementioned transaction is subject to approval of relevant regulatory authorities.

7. Other Information

7.1 Compliance with the Corporate Governance Code

Regarding Code Provisions A.2.7 and E.1.2 of the Corporate Governance Code (the “Code”) under Appendix 14 to the Hong Kong Listing Rules, Mr. Jiang Jianqing, Chairman of the Bank, held a meeting with the Non-executive Directors without other Executive Directors present on 22 January 2015; Mr. Jiang Jianqing, Chairman of the Bank, was absent from the Annual General Meeting for the Year 2013 held on 6 June 2014 due to important business arrangement, and thus delegated Mr. Yi Huiman, Vice Chairman and President of the Bank, to attend and chair the meeting. Save as disclosed above, during the reporting period, the Bank fully complied with the code provisions and the recommended best practices as stipulated in the Code.

7.2 Securities Transactions of Directors and Supervisors

The Bank has adopted a set of codes of conduct concerning the securities transactions by directors and supervisors which are no less stringent than the standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 to the Hong Kong Listing Rules. After making enquiries with all Directors and Supervisors of the Bank, each Director and Supervisor confirmed that he/she has complied with the provisions of the aforesaid codes of conduct during the year ended 31 December 2014.

7.3 Profits and Dividends Distribution

The profit and financial status of the Bank during the reporting period are presented in the Independent Auditors’ Report and Financial Statements of the Annual Report.

Upon the approval at the Annual General Meeting for the Year 2013 held on 6 June 2014, the Bank has distributed cash dividends of RMB91,960 million, or RMB2.617 per ten shares (pre-tax), for the period from 1 January 2013 to 31 December 2013 to the ordinary shareholders whose names appeared on the share register after the close of market on 19 June 2014.

The Board of Directors of the Bank proposed distributing cash dividends of RMB2.554 (pre-tax) for each ten shares to ordinary shareholders for 2014, totaling RMB91,026 million. The Bank proposed to distribute dividends on the basis of the total share capital of ordinary shares as at the close of market on the record date for dividend distribution. The distribution plan will be submitted for approval to the Annual General Meeting for the Year 2014.

If such distribution is approved at the annual general meeting, the dividend is expected to be paid to holders of A shares and H shares whose names appear on the register of members of the Bank after the close of market on 6 July 2015. The register of transfers of H shares will be closed from 1 July 2015 to 6 July 2015 (both days inclusive). In order to qualify for the proposed distribution of cash dividends, holders of H shares are required to deposit the transfer documents together with the relevant share certificates at the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited located at Rooms 1712-1716, 17 Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on 30 June 2015. The H share dividends are expected to be paid on 30 July 2015 and A share dividends are expected to be paid on 7 July 2015.

The Bank had no plan for converting capital reserve to share capital in the recent three years. The table below sets out the dividend distribution of ordinary shares of the Bank for the recent three years:

Item	2014	2013	2012
Dividend per ten shares (pre-tax, in RMB yuan)	2.554	2.617	2.39
Cash dividends (pre-tax, in RMB millions)	91,026	91,960	83,565
Percentage of cash dividends ⁽¹⁾ (%)	33	35	35

Note: (1) Calculated by dividing cash dividends (pre-tax) by net profit attributable to equity holders of the parent company for the period.

During the reporting period, the Bank did not distribute any preference share dividend.

7.4 Purchase, Sale or Redemption of Securities

For details on the redemption of ICBC Convertible Bonds, please refer to “Details of Changes in Share Capital and Shareholding of Substantial Shareholders — Conversion and Redemption of A Share Convertible Bonds”.

Save as disclosed above, during the reporting period, neither the Bank nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Bank.

8. Financial Report

8.1 Audit Opinions

The 2014 financial statements of the Bank prepared in accordance with PRC GAAP and IFRSs have been audited by KPMG Huazhen (Special General Partnership) and KPMG, respectively. KPMG Huazhen (Special General Partnership) and KPMG have expressed unqualified opinions in the independent auditors’ reports.

8.2 Consolidated Statement of Profit or Loss, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows

8.2.1 Consolidated Statement of Profit or Loss

Year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	2014	2013
Interest income	849,879	767,111
Interest expense	<u>(356,357)</u>	<u>(323,776)</u>
NET INTEREST INCOME	493,522	443,335
Fee and commission income	146,678	134,550
Fee and commission expense	<u>(14,181)</u>	<u>(12,224)</u>
NET FEE AND COMMISSION INCOME	132,497	122,326
Net trading income	1,745	154
Net loss on financial assets and liabilities designated at fair value through profit or loss	(10,024)	(2,413)
Net gain on financial investments	1,803	625
Other operating income, net	<u>15,315</u>	<u>14,874</u>
OPERATING INCOME	634,858	578,901
Operating expenses	(218,674)	(204,140)
Impairment losses on:		
Loans and advances to customers	(56,267)	(38,098)
Others	<u>(462)</u>	<u>(223)</u>
OPERATING PROFIT	359,455	336,440
Share of profits of associates and joint ventures	<u>2,157</u>	<u>2,097</u>
PROFIT BEFORE TAXATION	361,612	338,537
Income tax expense	<u>(85,326)</u>	<u>(75,572)</u>
PROFIT FOR THE YEAR	<u>276,286</u>	<u>262,965</u>
Attributable to:		
Equity holders of the parent company	275,811	262,649
Non-controlling interests	<u>475</u>	<u>316</u>
	<u>276,286</u>	<u>262,965</u>
EARNINGS PER SHARE		
— Basic (RMB yuan)	<u>0.78</u>	<u>0.75</u>
— Diluted (RMB yuan)	<u>0.78</u>	<u>0.74</u>

8.2.2 Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	2014	2013
Profit for the year	276,286	262,965
Other comprehensive income (after tax, net):		
Items that may be reclassified subsequently to profit or loss:		
Net gain/(loss) from change in fair value of available-for-sale financial assets	34,550	(25,750)
Effective hedging portion of gains or losses arising from cash flow hedging instruments	110	(209)
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss	80	763
Foreign currency translation differences	(2,173)	(11,436)
Others	—	3
Subtotal of other comprehensive income for the year	32,567	(36,629)
Total comprehensive income for the year	308,853	226,336
Total comprehensive income attributable to:		
Equity holders of the parent company	308,122	226,375
Non-controlling interests	731	(39)
	308,853	226,336

8.2.3 Consolidated Statement of Financial Position

Year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	31 December 2014	31 December 2013
ASSETS		
Cash and balances with central banks	3,523,622	3,294,007
Due from banks and other financial institutions	782,776	717,984
Financial assets held for trading	34,373	28,143
Financial assets designated at fair value through profit or loss	312,455	344,413
Derivative financial assets	24,048	25,020
Reverse repurchase agreements	468,462	331,903
Loans and advances to customers	10,768,750	9,681,415
Financial investments	4,086,409	3,949,688
Investments in associates and joint ventures	28,919	28,515
Property and equipment	199,280	164,347
Deferred income tax assets	24,758	28,860
Other assets	356,101	323,457
TOTAL ASSETS	20,609,953	18,917,752
LIABILITIES		
Due to central banks	631	724
Financial liabilities designated at fair value through profit or loss	589,385	553,607
Derivative financial liabilities	24,191	19,168
Due to banks and other financial institutions	1,539,239	1,269,255
Repurchase agreements	380,957	299,304
Certificates of deposit	176,248	130,558
Due to customers	15,556,601	14,620,825
Income tax payable	60,666	55,674
Deferred income tax liabilities	451	420
Debt securities issued	279,590	253,018
Other liabilities	464,690	436,736
TOTAL LIABILITIES	19,072,649	17,639,289
EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	353,495	351,390
Other equity instrument	34,428	—
Equity component of convertible bonds	388	1,960
Reserves	492,312	408,835
Retained profits	650,236	511,949
	1,530,859	1,274,134
Non-controlling interests	6,445	4,329
TOTAL EQUITY	1,537,304	1,278,463
TOTAL EQUITY AND LIABILITIES	20,609,953	18,917,752

8.2.4 Consolidated Statement of Changes in Equity

Year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	Attributable to equity holders of the parent company															
	Equity component			Reserves								Subtotal	Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Other equity instrument	of convertible bonds	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Foreign currency translation reserve	Cash flow hedge reserve	Other reserves						
Balance as at 1 January 2014	351,390	—	1,960	138,852	123,870	202,940	(29,379)	(24,038)	(3,961)	551	408,835	511,949	1,274,134	4,329	1,278,463	
Profit for the year	—	—	—	—	—	—	—	—	—	—	—	275,811	275,811	475	276,286	
Other comprehensive income	—	—	—	—	—	—	34,188	(2,065)	108	80	32,311	—	32,311	256	32,567	
— Net gain from change in fair value of available-for-sale financial assets	—	—	—	—	—	—	34,188	—	—	—	34,188	—	34,188	362	34,550	
— Effective hedging portion of gains arising from cash flow hedging instruments	—	—	—	—	—	—	—	—	108	—	108	—	108	2	110	
— Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss	—	—	—	—	—	—	—	—	—	80	80	—	80	—	80	
Foreign currency translation differences	—	—	—	—	—	—	—	(2,065)	—	—	(2,065)	—	(2,065)	(108)	(2,173)	
Total comprehensive income	—	—	—	—	—	—	34,188	(2,065)	108	80	32,311	275,811	308,122	731	308,853	
Dividend — 2013 final	—	—	—	—	—	—	—	—	—	—	—	(91,960)	(91,960)	—	(91,960)	
Appropriation to surplus reserve (i)	—	—	—	—	26,882	—	—	—	—	—	26,882	(26,882)	—	—	—	
Appropriation to general reserve (ii)	—	—	—	—	—	18,682	—	—	—	—	18,682	(18,682)	—	—	—	
Capital injection by other equity holder	—	34,428	—	—	—	—	—	—	—	—	—	—	34,428	—	34,428	
Conversion of convertible bonds	2,105	—	—	5,572	—	—	—	—	—	—	5,572	—	7,677	—	7,677	
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	1,393	1,393	
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	—	(8)	(8)	
Conversion of equity component of convertible bonds	—	—	(1,572)	—	—	—	—	—	—	—	—	—	(1,572)	—	(1,572)	
Others	—	—	—	—	—	—	—	—	—	30	30	—	30	—	30	
Balance as at 31 December 2014	<u>353,495</u>	<u>34,428</u>	<u>388</u>	<u>144,424</u>	<u>150,752</u>	<u>221,622</u>	<u>4,809</u>	<u>(26,103)</u>	<u>(3,853)</u>	<u>661</u>	<u>492,312</u>	<u>650,236</u>	<u>1,530,859</u>	<u>6,445</u>	<u>1,537,304</u>	

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB114 million and RMB345 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB520 million.

Attributable to equity holders of the parent company

	Equity component		Reserves								Retained profits	Total	Non-controlling interests	Total equity
			Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	foreign currency translation reserve	Cash flow hedge reserve	Other reserves	Subtotal				
	Issued share capital	of convertible bonds												
Balance as at 1 January 2013	349,620	2,708	133,835	98,063	189,071	(3,757)	(12,822)	(3,754)	(508)	400,128	372,541	1,124,997	3,462	1,128,459
Profit for the year	—	—	—	—	—	—	—	—	—	—	262,649	262,649	316	262,965
Other comprehensive income	—	—	8	—	—	(25,622)	(11,216)	(207)	763	(36,274)	—	(36,274)	(355)	(36,629)
— Net loss from change in fair value of available-for-sale financial assets	—	—	—	—	—	(25,622)	—	—	—	(25,622)	—	(25,622)	(128)	(25,750)
— Effective hedging portion of losses arising from cash flow hedging instruments	—	—	—	—	—	—	—	(207)	—	(207)	—	(207)	(2)	(209)
— Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss	—	—	—	—	—	—	—	—	763	763	—	763	—	763
— Foreign currency translation differences	—	—	—	—	—	—	(11,216)	—	—	(11,216)	—	(11,216)	(220)	(11,436)
— Others	—	—	8	—	—	—	—	—	—	8	—	8	(5)	3
Total comprehensive income	—	—	8	—	—	(25,622)	(11,216)	(207)	763	(36,274)	262,649	226,375	(39)	226,336
Dividend — 2012 final	—	—	—	—	—	—	—	—	—	—	(83,565)	(83,565)	—	(83,565)
Appropriation to surplus reserve (i)	—	—	—	25,807	—	—	—	—	—	25,807	(25,807)	—	—	—
Appropriation to general reserve (ii)	—	—	—	—	13,869	—	—	—	—	13,869	(13,869)	—	—	—
Conversion of convertible bonds	1,770	—	5,009	—	—	—	—	—	—	5,009	—	6,779	—	6,779
Capital injection by non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	953	953
Dividends to non-controlling shareholders	—	—	—	—	—	—	—	—	—	—	—	—	(47)	(47)
Conversion of equity component of convertible bonds	—	(748)	—	—	—	—	—	—	—	—	—	(748)	—	(748)
Others	—	—	—	—	—	—	—	—	296	296	—	296	—	296
Balance as at 31 December 2013	<u>351,390</u>	<u>1,960</u>	<u>138,852</u>	<u>123,870</u>	<u>202,940</u>	<u>(29,379)</u>	<u>(24,038)</u>	<u>(3,961)</u>	<u>551</u>	<u>408,835</u>	<u>511,949</u>	<u>1,274,134</u>	<u>4,329</u>	<u>1,278,463</u>

(i) Includes the appropriation made by overseas branches and subsidiaries in the amounts of RMB67 million and RMB358 million, respectively.

(ii) Includes the appropriation made by subsidiaries in the amount of RMB1,140 million.

8.2.5 Consolidated Statement of Cash Flows

Year ended 31 December 2014

(In RMB millions, unless otherwise stated)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	361,612	338,537
Adjustments for:		
Share of profits of associates and joint ventures	(2,157)	(2,097)
Depreciation	16,094	14,420
Amortisation	2,211	2,018
Amortisation of financial investments	(102)	(163)
Impairment losses on loans and advances to customers	56,267	38,098
Impairment losses on assets other than loans and advances to customers	462	223
Unrealised foreign exchange gain/(loss)	(476)	6,206
Interest expense on debt securities issued	11,705	10,785
Accreted interest on impaired loans	(2,779)	(2,019)
Gain on disposal of available-for-sale financial assets, net	(1,626)	(524)
Net trading gain on equity investments	(24)	(40)
Net loss on financial assets and liabilities designated at fair value through profit or loss	10,024	2,413
Net gain on disposal and overage of property and equipment and other assets (other than repossessed assets)	(944)	(848)
Dividend income	(177)	(101)
	<u>450,090</u>	<u>406,908</u>
Net (increase)/decrease in operating assets:		
Due from central banks	(223,291)	(319,010)
Due from banks and other financial institutions	3,069	81,342
Financial assets held for trading	(6,047)	(7,804)
Financial assets designated at fair value through profit or loss	35,022	(142,720)
Reverse repurchase agreements	(173,890)	5,443
Loans and advances to customers	(1,121,840)	(1,159,539)
Other assets	(143,088)	(10,432)
	<u>(1,630,065)</u>	<u>(1,552,720)</u>
Net increase/(decrease) in operating liabilities:		
Financial liabilities designated at fair value through profit or loss	33,136	234,583
Due to central banks	(93)	(409)
Due to banks and other financial institutions	260,411	(207,685)
Repurchase agreements	81,653	61,540
Certificates of deposit	43,147	94,351
Due to customers	920,197	994,119
Other liabilities	130,182	42,214

	2014	2013
	<u>1,468,633</u>	<u>1,218,713</u>
Net cash flows from operating activities before tax	288,658	72,901
Income tax paid	(87,201)	(74,848)
Net cash flows from operating activities	<u>201,457</u>	<u>(1,947)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and other assets	(53,957)	(44,427)
Proceeds from disposal of property and equipment and other assets (other than repossessed assets)	3,802	1,088
Purchases of financial investments	(1,109,178)	(1,239,747)
Proceeds from sale and redemption of financial investments	1,011,771	1,117,779
Investments in associates and joint ventures	(324)	—
Proceeds from disposal of investments in associates and joint ventures	—	493
Dividends received	1,145	653
Net cash flows from investing activities	<u>(146,741)</u>	<u>(164,161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of preferred shares	34,549	—
Capital injection by non-controlling shareholders	1,393	955
Proceeds from issuance of debt securities	95,554	44,367
Interest paid on debt securities	(11,278)	(10,074)
Repayment of other debt securities	(54,594)	(17,084)
Acquisition of non-controlling interests	—	(17)
Dividends paid on ordinary shares	(91,960)	(83,565)
Dividends paid to non-controlling shareholders	(8)	(47)
Net cash flows from financing activities	<u>(26,344)</u>	<u>(65,465)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	28,372	(231,573)
Cash and cash equivalents at beginning of the year	957,402	1,201,647
Effect of exchange rate changes on cash and cash equivalents	8,490	(12,672)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>994,264</u>	<u>957,402</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:		
Interest received	836,797	756,529
Interest paid	(315,230)	(265,008)

8.3 Revised International Financial Reporting Standards that are Effective in 2014 and Relevant to the Group

The IASB has issued the following revised IFRSs (including International Accounting Standards (“IASs”)) and amendments to standards that are effective in 2014 and relevant to the Group’s operation.

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities	
Amendments to IAS 32	<i>Financial instruments: presentation — Offsetting financial assets and financial liabilities</i>
Amendments to IAS 36	<i>Impairment of assets— recoverable amount disclosures for non-financial assets</i>
Amendments to IAS 39	<i>Financial instruments: recognition and measurement — Novation of derivatives and continuation of hedge accounting</i>
IFRIC 21	<i>Levies — Accounting for levies</i>

The principal effects of adopting these new and amended IFRSs are as follows:

Amendments to IFRS 10, IFRS 12 and IAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. The adoption does not have any material impact on the Group’s financial statements.

Amendments to IAS 32 — Financial instruments: presentation — offsetting financial assets and financial liabilities

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments to IAS 32 clarify the meaning of “currently has a legally enforceable right to set-off”.

Amendments to IAS 36 — Impairment of assets — Recoverable amount disclosures for non-financial assets

The amendments to IAS 36 modify the disclosure requirements for impaired nonfinancial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating units (“CGU”) whose recoverable amount is based on fair value less costs of disposal. The adoption does not have any material impact on the Group’s financial statements.

Amendments to IAS 39 — Financial instruments: recognition and measurement — Novation of derivatives and continuation of hedge accounting

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The adoption does not have any material impact on the Group’s financial statements.

IFRIC 21 — Levies — Accounting for levies

The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation. The interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The adoption does not have significant impact on the Group's financial statements.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretation and amendments.

8.4 Notes to Financial Statements

(In RMB millions, unless otherwise stated)

8.4.1 Net Interest Income

	2014	2013
Interest income on:		
Loans and advances to customers	615,488	548,640
— Corporate loans and advances	437,789	395,461
— Personal loans	164,612	142,625
— Discounted bills	13,087	10,554
Financial investments	159,262	148,514
Due from central banks	48,384	45,487
Due from banks and other financial institutions	26,745	24,470
	<u>849,879</u>	<u>767,111</u>
Interest expense on:		
Due to customers	(298,941)	(273,797)
Due to banks and other financial institutions	(42,801)	(38,209)
Debt securities issued	(14,615)	(11,770)
	<u>(356,357)</u>	<u>(323,776)</u>
Net interest income	<u>493,522</u>	<u>443,335</u>

8.4.2 Net Fee and Commission Income

	2014	2013
Settlement, clearing business and cash management	30,422	30,513
Investment banking business	30,474	29,486
Bank card business	35,133	28,533
Personal wealth management and private banking services	20,676	18,231
Corporate wealth management services	14,929	12,611
Asset custody business	5,923	6,893
Guarantee and commitment business	4,614	4,357
Trust and agency services	2,019	1,857
Others	2,488	2,069
	<u>146,678</u>	<u>134,550</u>
Fee and commission income	146,678	134,550
Fee and commission expense	(14,181)	(12,224)
	<u>(14,181)</u>	<u>(12,224)</u>
Net fee and commission income	<u>132,497</u>	<u>122,326</u>

8.4.3 Net Trading Income

	2014	2013
Debt securities	1,103	1,383
Equity investments	24	40
Derivatives	618	(1,269)
	<u>1,745</u>	<u>154</u>

8.4.4 Net Loss on Financial Assets and Liabilities Designated at Fair Value Through Profit or Loss

	2014	2013
Financial assets	16,158	8,021
Financial liabilities	(26,182)	(10,434)
	<u>(10,024)</u>	<u>(2,413)</u>

8.4.5 Net Gain on Financial Investments

	2014	2013
Dividend income from unlisted investments	145	93
Dividend income from listed investments	<u>32</u>	<u>8</u>
Dividend income	177	101
Gain on disposal of available-for-sale financial assets, net	<u>1,626</u>	<u>524</u>
	<u><u>1,803</u></u>	<u><u>625</u></u>

8.4.6 Other Operating Income, Net

	2014	2013
Insurance net income	590	1,043
Gain from foreign exchange and foreign exchange products, net	3,673	6,593
Leasing income	6,722	3,412
Net gain on disposal of property and equipment, repossessed assets and others	1,319	1,012
Sundry bank charge income	303	315
Others	<u>2,708</u>	<u>2,499</u>
	<u><u>15,315</u></u>	<u><u>14,874</u></u>

8.4.7 Operating Expenses

	2014	2013
Staff costs:		
Salaries and bonuses	70,284	68,216
Staff benefits	28,541	24,185
Post-employment benefits — defined contribution plans	13,197	11,054
	<u>112,022</u>	<u>103,455</u>
Premises and equipment expenses:		
Depreciation	16,094	14,420
Lease payments under operating leases in respect of land and buildings	6,543	5,799
Repairs and maintenance charges	3,556	3,206
Utility expenses	2,705	2,669
	<u>28,898</u>	<u>26,094</u>
Amortisation	2,211	2,018
Other administrative expenses	23,709	24,721
Business tax and surcharges	41,351	37,441
Others	10,483	10,411
	<u>218,674</u>	<u>204,140</u>

8.4.8 Impairment Losses on Assets other than Loans and Advances to Customers

	2014	2013
Charge/(reversal) of impairment losses on:		
Due from banks and other financial institutions	8	58
Financial investments:		
Held-to-maturity investments	3	(295)
Available-for-sale financial assets	163	102
Other assets	288	358
	<u>462</u>	<u>223</u>

8.4.9 Income Tax Expense

(a) Income tax

	2014	2013
Current income tax expense:		
Mainland China	88,981	74,159
Hong Kong and Macau	1,613	1,081
Overseas	<u>2,151</u>	<u>1,044</u>
	92,745	76,284
Adjustments in respect of current income tax of prior years	254	(2,684)
Deferred income tax (credit)/expense	<u>(7,673)</u>	<u>1,972</u>
	<u><u>85,326</u></u>	<u><u>75,572</u></u>

(b) Reconciliation between income tax and accounting profit

PRC income tax has been provided at the statutory rate of 25% in accordance with the relevant tax laws in Mainland China during the year. Taxes on profits assessable elsewhere have been calculated at the applicable rates of tax prevailing in the countries/regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. A reconciliation of the income tax expense applicable to profit before taxation at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	2014	2013
Profit before taxation	<u>361,612</u>	<u>338,537</u>
Tax at the PRC statutory income tax rate	90,403	84,634
Effects of different applicable rates of tax prevailing in other countries/regions	(575)	(264)
Non-deductible expenses	3,937	1,865
Non-taxable income	(9,081)	(8,283)
Profits attributable to associates and joint ventures	(539)	(524)
Adjustment in respect of current income tax of prior years	254	(2,684)
Others	<u>927</u>	<u>828</u>
Current income tax expenses	<u><u>85,326</u></u>	<u><u>75,572</u></u>

8.4.10 Dividends

	2014	2013
Dividends on ordinary shares declared and paid: Final dividend for 2013: RMB0.2617 per share (2012: RMB0.239 per share)	<u>91,960</u>	<u>83,565</u>
	2014	2013
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2014: RMB0.2554 per share (2013: RMB0.2617 per share)	<u>91,026</u>	<u>91,958</u>

8.4.11 Earnings Per Share

The calculation of basic earnings per share is based on the following:

	2014	2013
Earnings: Profit for the year attributable to ordinary equity holders of the parent company	<u>275,811</u>	<u>262,649</u>
Shares: Weighted average number of ordinary shares in issue (in million shares)	<u>351,438</u>	<u>350,068</u>
Basic earnings per share (RMB yuan)	<u>0.78</u>	<u>0.75</u>

Basic earnings per share was calculated as the profit for the year attributable to ordinary equity holders of the Bank divided by the weighted average number of ordinary shares in issue.

The calculation of diluted earnings per ordinary share is based on the following:

	2014	2013
Earnings:		
Profit for the year attributable to ordinary equity holders of the parent company	275,811	262,649
Add: Interest expense on convertible bonds (net of tax)	447	565
	<u>276,258</u>	<u>263,214</u>
Profit used to determine diluted earnings per share	276,258	263,214
Shares:		
Weighted average number of ordinary shares outstanding (in million shares)	351,438	350,068
Add: Weighted average number of ordinary shares assuming conversion of all dilutive shares (in million shares)	2,916	4,652
	<u>354,354</u>	<u>354,720</u>
Weighted average number of ordinary shares for diluted earnings per share (in million shares)	354,354	354,720
Diluted earnings per share (RMB yuan)	0.78	0.74

Diluted earnings per share was computed from dividing the profit attributable to ordinary equity holders of the parent company (after adjusting for interest expense on the convertible bonds) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

8.4.12 Derivative Financial Instruments

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments including forwards, swaps and options.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

In accordance with master derivative financial instrument agreements and related supplementary agreements, the Group does not have derivative financial instruments which meet the criteria for offsetting.

At the end of the reporting period, the Group had derivative financial instruments as follows:

	2014						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over One year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	1,015,906	753,091	92,944	4,237	1,866,178	19,068	(20,281)
Option contracts purchased	12,670	32,181	301	—	45,152	165	—
Option contracts written	9,564	6,919	99	—	16,582	—	(140)
	<u>1,038,140</u>	<u>792,191</u>	<u>93,344</u>	<u>4,237</u>	<u>1,927,912</u>	<u>19,233</u>	<u>(20,421)</u>
Interest rate contracts:							
Swap contracts	70,707	88,816	152,041	33,598	345,162	2,408	(2,382)
Forward contracts	5,198	11,219	819	—	17,236	2	(5)
	<u>75,905</u>	<u>100,035</u>	<u>152,860</u>	<u>33,598</u>	<u>362,398</u>	<u>2,410</u>	<u>(2,387)</u>
Commodity derivatives and others	<u>185,228</u>	<u>52,507</u>	<u>1,304</u>	<u>219</u>	<u>239,258</u>	<u>2,405</u>	<u>(1,383)</u>
	<u>1,299,273</u>	<u>944,733</u>	<u>247,508</u>	<u>38,054</u>	<u>2,529,568</u>	<u>24,048</u>	<u>(24,191)</u>
	2013						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over One year but within five years	Over five years	Total	Assets	Liabilities
Exchange rate contracts:							
Forward and swap contracts	841,965	679,653	79,228	1,492	1,602,338	17,977	(13,331)
Option contracts purchased	4,071	30,395	210	—	34,676	164	—
Option contracts written	605	5,471	210	—	6,286	—	(33)
	<u>846,641</u>	<u>715,519</u>	<u>79,648</u>	<u>1,492</u>	<u>1,643,300</u>	<u>18,141</u>	<u>(13,364)</u>
Interest rate contracts:							
Swap contracts	39,736	98,611	153,414	21,563	313,324	3,068	(3,394)
Forward contracts	823	3,878	48	—	4,749	—	(1)
	<u>40,559</u>	<u>102,489</u>	<u>153,462</u>	<u>21,563</u>	<u>318,073</u>	<u>3,068</u>	<u>(3,395)</u>
Commodity derivatives and others	<u>195,466</u>	<u>40,513</u>	<u>844</u>	<u>254</u>	<u>237,077</u>	<u>3,811</u>	<u>(2,409)</u>
	<u>1,082,666</u>	<u>858,521</u>	<u>233,954</u>	<u>23,309</u>	<u>2,198,450</u>	<u>25,020</u>	<u>(19,168)</u>

Cash flow hedges

The Group's cash flow hedges consist of interest rate swap contracts, currency swap contracts and currency forward contracts that are used to protect against exposures to variability of future cash flows arising from foreign currency assets and foreign currency liabilities during the year.

Among the above derivative financial instruments, those designated as hedging instruments in cash flow hedges are set out below.

	2014						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over One year but within five years	Over five years	Total	Assets	Liabilities
		Three months	One year	Five years			
Interest rate swap contracts	318	378	1,778	3,734	6,208	190	(31)
Currency swap contracts	3,022	6,508	—	—	9,530	98	—
Currency forward contracts	—	25	—	—	25	—	—
	<u>3,340</u>	<u>6,911</u>	<u>1,778</u>	<u>3,734</u>	<u>15,763</u>	<u>288</u>	<u>(31)</u>

	2013						
	Notional amounts with remaining life of					Fair values	
	Within three months	Over three months but within one year	Over One year but within five years	Over five years	Total	Assets	Liabilities
		Three months	One year	Five years			
Interest rate swap contracts	127	3,138	2,531	3,490	9,286	291	(49)
	<u>127</u>	<u>3,138</u>	<u>2,531</u>	<u>3,490</u>	<u>9,286</u>	<u>291</u>	<u>(49)</u>

There is no ineffectiveness recognised in the income statement that arises from the cash flow hedge for the current year (2013: Nil).

Fair value hedges

Fair value hedges are used by the Group to protect against changes in the fair value of financial assets and financial liabilities due to movements in market interest rates and exchange rates. Interest rate swaps and currency swaps are used as hedging instruments to hedge the interest risk and currency risk of financial assets and financial liabilities, respectively.

The effectiveness of hedges based on changes in fair value of the derivatives and the hedged items attributable to the hedged risk recognised in the income statement during the year is presented as follows:

	2014	2013
Gain/(loss) arising from fair value hedges, net:		
— Hedging instruments	136	203
— Hedged items attributable to the hedged risk	<u>(129)</u>	<u>(206)</u>
	<u>7</u>	<u>(3)</u>

Among the above derivative financial instruments, those designated as hedging instruments in fair value hedges are set out below:

	2014					Fair values	
	Notional amounts with remaining life of					Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total		
Currency swap contracts	—	69	—	—	69	16	—
Interest rate swap contracts	470	837	8,748	3,688	13,743	51	(217)
	<u>470</u>	<u>906</u>	<u>8,748</u>	<u>3,688</u>	<u>13,812</u>	<u>67</u>	<u>(217)</u>
	2013					Fair values	
	Notional amounts with remaining life of					Assets	Liabilities
	Within three months	Over three months but within one year	Over one year but within five years	Over five years	Total		
Currency swap contracts	55	302	68	—	425	8	(5)
Interest rate swap contracts	1,080	3,761	5,386	3,187	13,414	12	(316)
	<u>1,135</u>	<u>4,063</u>	<u>5,454</u>	<u>3,187</u>	<u>13,839</u>	<u>20</u>	<u>(321)</u>

The credit risk weighted amounts in respect of the above derivatives of the Group as at the end of the reporting date are as follows:

	2014	2013
Counterparty credit default risk-weighted assets	24,882	33,670
Currency derivatives	22,676	31,252
Interest rate derivatives	1,631	1,348
Commodity derivatives and others	565	1,070
Netting Settled credit default risk-weighted assets	10	—
Credit value adjustment	<u>17,717</u>	<u>19,874</u>
	<u>42,599</u>	<u>53,544</u>

- (i) The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions and are calculated with reference to Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC, which includes counterparty credit default risk-weighted assets and credit value adjustment.

8.4.13 Financial Investments

	2014	2013
Receivables	331,731	324,488
Held-to-maturity investments	2,566,390	2,624,400
Available-for-sale financial assets	<u>1,188,288</u>	<u>1,000,800</u>
	<u>4,086,409</u>	<u>3,949,688</u>

8.4.14 Components of Other Comprehensive Income

	2014	2013
Items that may be reclassified subsequently to profit or loss:		
Net gain/(loss) from Change in fair value of available-for-sale financial assets		
Changes in fair value recorded in other comprehensive income	43,992	(32,502)
Less: Transfer to the income statement arising from disposal/impairment	1,602	(1,362)
Income tax effect	<u>(11,044)</u>	<u>8,114</u>
	<u>34,550</u>	<u>(25,750)</u>
Effective hedging portion of gains or losses arising from cash flow hedging instruments:		
gain/(loss) during the year	122	(272)
Less: Income tax effect	<u>(12)</u>	<u>63</u>
	<u>110</u>	<u>(209)</u>
Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss	<u>80</u>	<u>763</u>
Foreign currency translation differences	<u>(2,173)</u>	<u>(11,436)</u>
Others	—	5
Less: Income tax effect	<u>—</u>	<u>(2)</u>
	<u>—</u>	<u>3</u>
	<u><u>32,567</u></u>	<u><u>(36,629)</u></u>

8.4.15 Commitments and Contingent Liabilities

(a) Capital commitments

At the end of the reporting period, the Group had capital commitments as follows:

	2014	2013
Authorised, but not contracted for	850	692
Contracted, but not provided for	28,738	1,521
	<u>29,588</u>	<u>2,213</u>

(b) Operating lease commitments

Operating lease commitments — Lessee

At the end of the reporting period, the Group leases certain of its office properties under operating lease arrangements, and the total future minimum lease payments in respect of non-cancellable operating leases are as follows:

	2014	2013
Within one year	5,210	4,448
Over one year but within five years	12,389	9,163
Over five years	580	2,433
	<u>18,179</u>	<u>16,044</u>

Operating lease commitments – Lessor

At the end of the reporting period, the Group leases certain aircraft and vessels to third parties under operating lease arrangements, and the total future minimum lease receivables in respect of non-cancellable operating leases with its tenants are as follows:

	2014	2013
Within one year	6,156	2,993
Over one year but within five years	23,987	10,745
Over five years	25,198	7,755
	<u>55,341</u>	<u>21,493</u>

(c) Credit commitments

At any given time, the Group has outstanding commitments to extend credit. These commitments are in the form of approved loans and undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	2014	2013
Bank acceptances	348,924	327,048
Guarantees issued:		
— Financing letters of guarantees	33,369	102,275
— Non-financing letters of guarantees	274,186	276,913
Sight letters of credit	56,096	88,669
Usance letters of credit and other commitments	334,838	409,095
Loan commitments:		
— With an original maturity of under one year	235,664	265,303
— With an original maturity of one year or over	584,362	536,245
Undrawn credit card limit	474,684	440,408
	<u>2,342,123</u>	<u>2,445,956</u>
	2014	2013
Credit risk — weighted assets of credit commitments (i) (ii)	<u>1,014,045</u>	<u>917,567</u>

(i) As at 31 December 2014, Internal Ratings-Based approach was adopted to calculate the credit risk-weighted assets according to the scope approved by the CBRC, and others were calculated by weighted approach.

(ii) As at 31 December 2013, the credit risk-weighted assets were calculated by weighted approach in accordance with Regulation Governing Capital of Commercial Banks (Provisional) promulgated by the CBRC.

(d) Legal proceedings

As at 31 December 2014, there were a number of legal proceedings outstanding against the Bank and/or its subsidiaries with a claimed amount of RMB3,001 million (31 December 2013: RMB2,389 million).

In the opinion of management, the Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits will not have a material impact on the financial position or operations of the Group and the Bank.

(e) Redemption commitments of government bonds

As an underwriting agent of the Government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2014, the Bank had underwritten and sold bonds with an accumulated amount of RMB90,874 million (31 December 2013: RMB87,982 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(f) Underwriting obligations

As at 31 December 2014, the Group and the Bank had no unexpired securities underwriting obligations (31 December 2013: Nil).

8.4.16 Segment Information

(a) Operating segments

For management purposes, the Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers.

Others

This segment covers the Group's insurance and leasing services as well as the other assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income/expense". Net interest income and expense relating to third parties are referred to as "external net interest income/expense".

Segment revenues, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The basis for allocation is mainly based on occupation of or contribution to resources. Income taxes are managed on a group basis and are not allocated to operating segments.

	Corporate banking	Personal banking	Treasury operations	Others	Total
2014					
External net interest income	294,461	17,155	180,776	1,130	493,522
Internal net interest income/(expense)	(72,827)	168,038	(95,211)	—	—
Net fee and commission income	80,513	52,317	575	(908)	132,497
Other income, net	1,225	22	(466)	8,058	8,839
Operating income	303,372	237,532	85,674	8,280	634,858
Operating expenses	(97,626)	(93,075)	(20,129)	(7,844)	(218,674)
Impairment losses on:					
Loans and advances to customers	(40,176)	(16,091)	—	—	(56,267)
Others	(322)	(1)	(144)	5	(462)
Operating profit/(loss)	165,248	128,365	65,401	441	359,455
Share of profits and losses of associates and joint ventures	—	—	—	2,157	2,157
Profit before taxation	165,248	128,365	65,401	2,598	361,612
Income tax expense					(85,326)
Profit for the year					<u>276,286</u>
Other segment information:					
Depreciation	7,473	5,576	2,803	242	16,094
Amortisation	1,111	661	413	26	2,211
Capital expenditure	26,235	19,322	9,770	777	56,104
As at 31 December 2014					
Segment assets	<u>7,978,544</u>	<u>3,110,238</u>	<u>9,402,275</u>	<u>118,896</u>	<u>20,609,953</u>
Including: Investments in associates and joint ventures	—	—	—	28,919	28,919
Property and equipment	81,543	60,209	30,286	27,242	199,280
Other non-current assets	16,915	7,059	4,629	10,377	38,980
Segment liabilities	<u>8,733,027</u>	<u>7,404,957</u>	<u>2,865,472</u>	<u>69,193</u>	<u>19,072,649</u>
Other segment information:					
Credit commitments	<u>1,867,439</u>	<u>474,684</u>	—	—	<u>2,342,123</u>

	Corporate banking	Personal banking	Treasury operations	Others	Total
2013					
External net interest income/(expense)	271,599	(168)	171,421	483	443,335
Internal net interest income/(expense)	(68,036)	154,921	(86,885)	—	—
Net fee and commission income	76,911	45,254	995	(834)	122,326
Other income, net	1,310	21	3,779	8,130	13,240
Operating income	281,784	200,028	89,310	7,779	578,901
Operating expenses	(92,594)	(85,994)	(17,827)	(7,725)	(204,140)
Impairment losses on:					
Loans and advances to customers	(27,644)	(10,454)	—	—	(38,098)
Others	43	1	9	(276)	(223)
Operating profit/(loss)	161,589	103,581	71,492	(222)	336,440
Share of profits and losses of associates and joint ventures	—	—	—	2,097	2,097
Profit before taxation	161,589	103,581	71,492	1,875	338,537
Income tax expense					(75,572)
Profit for the year					<u>262,965</u>
Other segment information:					
Depreciation	6,614	5,058	2,544	204	14,420
Amortisation	1,016	601	381	20	2,018
Capital expenditure	21,195	15,990	8,103	592	45,880
As at 31 December 2013					
Segment assets	<u>7,193,345</u>	<u>2,765,136</u>	<u>8,820,870</u>	<u>138,401</u>	<u>18,917,752</u>
Including: Investments in associates and joint ventures	—	—	—	28,515	28,515
Property and equipment	64,306	48,874	24,496	26,671	164,347
Other non-current assets	14,867	7,141	4,638	9,902	36,548
Segment liabilities	<u>8,030,376</u>	<u>7,087,551</u>	<u>2,475,913</u>	<u>45,449</u>	<u>17,639,289</u>
Other segment information:					
Credit commitments	<u>2,005,548</u>	<u>440,408</u>	<u>—</u>	<u>—</u>	<u>2,445,956</u>

(b) Geographical information

The Group operates principally in Mainland China, and also has branches and subsidiaries operating outside Mainland China (including: Hong Kong, Macau, Singapore, Frankfurt, Luxembourg, Seoul, Tokyo, London, Almaty, Jakarta, Moscow, Doha, Dubai, Abu Dhabi, Sydney, Toronto, Kuala Lumpur, Hanoi, Bangkok, New York, Karachi, Mumbai, Phnom Penh, Vientiane, Lima, Buenos Aires, Sao Paulo, Auckland, Kuwait City, Mexico City and Yangon).

The distribution of the geographical areas is as follows:

Mainland China (Head Office and domestic branches):

Head Office (“HO”): the HO business division (including institutions directly controlled by the HO and their offices);

Yangtze River Delta: including Shanghai, Jiangsu, Zhejiang and Ningbo;

Pearl River Delta: including Guangdong, Shenzhen, Fujian and Xiamen;

Bohai Rim: including Beijing, Tianjin, Hebei, Shandong and Qingdao;

Central China: including Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan;

Western China: including Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet; and

Northeastern China: including Liaoning, Heilongjiang, Jilin and Dalian

Overseas and others: branches located outside Mainland China, domestic and overseas subsidiaries, and investments in associates and joint ventures.

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
2014										
External net interest income	189,569	62,596	47,949	29,633	48,166	75,409	18,613	21,587	—	493,522
Internal net interest income/(expense)	(134,777)	21,946	9,293	70,935	15,274	7,669	9,127	533	—	—
Net fee and commission income	4,532	32,565	22,016	22,364	20,643	19,403	5,143	6,150	(319)	132,497
Other income/(expense), net	11,915	(2,221)	(197)	(8,272)	(312)	110	(168)	7,984	—	8,839
Operating income	71,239	114,886	79,061	114,660	83,771	102,591	32,715	36,254	(319)	634,858
Operating expenses	(21,206)	(35,353)	(25,307)	(36,334)	(33,689)	(38,735)	(14,525)	(13,844)	319	(218,674)
Impairment losses on:										
Loans and advances to customers	(3,727)	(15,641)	(11,495)	(6,806)	(7,574)	(7,131)	(2,637)	(1,256)	—	(56,267)
Others	(67)	(49)	7	(25)	(52)	3	(11)	(268)	—	(462)
Operating profit	46,239	63,843	42,266	71,495	42,456	56,728	15,542	20,886	—	359,455
Share of profits and losses of associates and joint ventures	—	—	—	—	—	—	—	2,157	—	2,157
Profit before taxation	46,239	63,843	42,266	71,495	42,456	56,728	15,542	23,043	—	361,612
Income tax expense										(85,326)
Profit for the year										<u>276,286</u>
Other segment information:										
Depreciation	1,809	2,252	1,469	2,016	2,440	2,806	1,083	2,219	—	16,094
Amortisation	859	202	125	137	263	385	66	174	—	2,211
Capital expenditure	2,413	4,795	1,376	3,033	3,246	4,007	1,317	35,917	—	<u>56,104</u>

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
As at 31 December 2014										
Assets by geographical areas	8,820,680	4,680,319	3,342,070	3,394,573	2,008,309	2,579,889	1,001,247	1,919,486	(7,161,378)	20,585,195
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	28,919	—	28,919
Property and equipment	14,363	26,113	12,294	19,086	19,839	24,204	10,748	72,633	—	199,280
Other non-current assets	11,274	5,986	2,691	3,631	5,307	5,674	1,325	3,092	—	38,980
Unallocated assets										<u>24,758</u>
Total assets										<u>20,609,953</u>
Liabilities by geographical areas	7,431,623	4,693,296	3,457,784	4,344,494	1,983,382	2,555,769	959,520	747,042	(7,161,378)	19,011,532
Unallocated liabilities										<u>61,117</u>
Total liabilities										<u>19,072,649</u>
Other segment information										
Credit commitments	469,704	438,216	319,851	419,494	129,088	158,055	58,811	348,904	—	<u>2,342,123</u>

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
2013										
External net interest income	172,708	58,681	43,074	29,780	41,725	63,647	17,334	16,386	—	443,335
Internal net interest income/(expense)	(143,331)	25,426	10,766	64,587	18,543	13,666	9,778	565	—	—
Net fee and commission income	3,860	30,125	20,056	20,493	19,439	18,133	4,829	5,441	(50)	122,326
Other income/(expense), net	6,139	(125)	865	(388)	299	426	115	5,909	—	13,240
Operating income	39,376	114,107	74,761	114,472	80,006	95,872	32,056	28,301	(50)	578,901
Operating expenses	(16,468)	(34,465)	(24,769)	(34,237)	(32,384)	(36,463)	(14,199)	(11,205)	50	(204,140)
Impairment losses on:										
Loans and advances to customers	(2,695)	(16,599)	(5,428)	(4,108)	(2,754)	(3,586)	(739)	(2,189)	—	(38,098)
Others	83	(21)	(18)	(159)	(2)	85	167	(358)	—	(223)
Operating profit	20,296	63,022	44,546	75,968	44,866	55,908	17,285	14,549	—	336,440
Share of profits and losses of associates and joint ventures	—	—	—	—	—	—	—	2,097	—	2,097
Profit before taxation	20,296	63,022	44,546	75,968	44,866	55,908	17,285	16,646	—	338,537
Income tax expense										(75,572)
Profit for the year										262,965
Other segment information:										
Depreciation	1,564	2,203	1,472	1,984	2,327	2,623	1,075	1,172	—	14,420
Amortisation	855	225	143	112	231	255	60	137	—	2,018
Capital expenditure	3,169	5,307	3,410	4,631	5,855	6,955	2,341	14,212	—	45,880

	Mainland China (HO and domestic branches)							Overseas and others	Eliminations	Total
	Head Office	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central China	Western China	Northeastern China			
As at 31 December 2013										
Assets by geographical areas	8,178,181	4,769,329	3,032,428	3,326,666	1,808,412	2,331,126	945,023	1,599,413	(7,101,686)	18,888,892
Including: Investments in associates and joint ventures	—	—	—	—	—	—	—	28,515	—	28,515
Property and equipment	13,857	23,791	12,458	18,498	19,467	23,017	10,470	42,789	—	164,347
Other non-current assets	11,177	5,552	2,766	3,690	4,896	4,716	1,348	2,403	—	36,548
Unallocated assets										28,860
Total assets										18,917,752
Liabilities by geographical areas	6,891,849	4,709,007	2,988,614	3,648,679	1,763,358	2,273,841	926,129	1,483,349	(7,101,686)	17,583,140
Unallocated liabilities										56,149
Total liabilities										17,639,289
Other segment information:										
Credit commitments	494,153	456,115	389,353	386,886	149,095	192,459	71,345	306,550	—	2,445,956

9. Summary of the Capital Adequacy Ratio Report Disclosed in Accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC

9.1 Capital Adequacy Ratio

- **Scope of Calculation of Capital Adequacy Ratio**

The Bank calculated capital adequacy ratios at all tiers based on the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC. The scope of calculation of consolidated capital adequacy ratio includes the Bank and financial institutions in which the Bank directly or indirectly invested in accordance with the Regulation Governing Capital of Commercial Banks (Provisional).

- **Results of Capital Adequacy Ratio Measurement**

In RMB millions, except for percentages

Item	At 31 December 2014		At 31 December 2013	
	Group	Parent Company	Group	Parent Company
Calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional):				
Net core tier 1 capital	1,486,733	1,393,120	1,266,841	1,190,490
Net tier 1 capital	1,521,233	1,427,548	1,266,859	1,190,490
Net capital base	1,812,137	1,699,357	1,572,265	1,478,863
Core tier 1 capital adequacy ratio	11.92%	12.05%	10.57%	10.58%
Tier 1 capital adequacy ratio	12.19%	12.35%	10.57%	10.58%
Capital adequacy ratio	14.53%	14.70%	13.12%	13.14%
Calculated in accordance with the Regulation Governing Capital Adequacy Ratio of Commercial Banks and related regulations:				
Core capital adequacy ratio	11.49%	11.82%	10.62%	10.86%
Capital adequacy ratio	14.29%	14.35%	13.31%	13.25%

Please refer to the section headed “Discussion and Analysis — Capital Adequacy Ratio and Leverage Ratio” for details on the capital adequacy ratio calculation.

- **Measurement of Risk-Weighted Assets**

Item	<i>In RMB millions</i>	
	At 31 December 2014	At 31 December 2013
Credit risk-weighted assets	11,091,736	10,923,428
Parts covered by internal ratings-based approach	7,478,053	—
Parts uncovered by internal ratings-based approach	3,613,683	—
Market risk-weighted assets	79,189	78,283
Parts covered by internal model approach	68,888	—
Parts uncovered by internal model approach	10,301	—
Operational risk-weighted assets	1,068,357	980,476
Risk-weighted assets increased due to applying capital floor	236,657	—
Total	<u>12,475,939</u>	<u>11,982,187</u>

9.2 Credit Risk

- **Credit Risk Exposure**

EXPOSURE AT DEFAULT COVERED BY INTERNAL RATINGS-BASED APPROACH

Item	<i>In RMB millions</i>
	At 31 December 2014
Corporate risk exposure	7,027,466
Retail risk exposure	<u>3,041,593</u>
Total	<u>10,069,059</u>

RISK EXPOSURE UNCOVERED BY INTERNAL RATINGS-BASED APPROACH

In RMB millions

Item	At 31 December 2014
On-balance sheet credit risk	11,415,730
Including: Cash assets	3,562,770
Claims on the central governments and central banks	1,304,337
Claims on Chinese financial institutions	3,357,016
Asset Securitization	4,853
Off-balance sheet credit risk	771,816
Counterparty credit risk	92,946
Total	<u>12,280,492</u>

- **Measurement Results of Internal Ratings-Based Approach**

MEASUREMENT RESULTS OF NON-RETAIL CREDIT RISK UNDER FOUNDATION IRB

In RMB millions, except for percentages

At 31 December 2014

PD level	Exposure at default	Weighted average PD	Weighted average LGD	Risk- weighted assets	Average risk weight
Level 1	758,094	0.32%	44.69%	441,657	58.26%
Level 2	831,252	0.50%	44.25%	583,329	70.17%
Level 3	1,399,419	0.74%	43.64%	1,119,323	79.98%
Level 4	1,960,177	1.17%	42.78%	1,744,549	89.00%
Level 5	1,183,950	2.09%	41.25%	1,149,614	97.10%
Level 6	598,129	3.29%	41.76%	660,682	110.46%
Level 7	158,268	4.46%	40.31%	184,321	116.46%
Level 8	24,935	6.06%	41.98%	33,969	136.23%
Level 9	11,892	8.22%	41.58%	17,595	147.96%
Level 10	7,464	13.97%	41.29%	13,551	181.55%
Level 11	10,516	20.00%	39.91%	20,452	194.48%
Level 12	83,370	100.00%	44.07%	214,824	257.68%
Total	<u>7,027,466</u>	<u>—</u>	<u>—</u>	<u>6,183,866</u>	<u>88.00%</u>

MEASUREMENT RESULTS OF RETAIL CREDIT RISK UNDER IRB

In RMB millions, except for percentages

At 31 December 2014

Type of risk exposure	Exposure at default	Weighted average PD	Weighted average LGD	Risk-weighted assets	Average risk weight
Personal residential mortgages	2,045,644	1.61%	23.32%	540,492	26.42%
Eligible revolving retail loans	394,118	3.39%	53.05%	95,029	24.11%
Other retail loans	601,831	5.65%	35.01%	235,380	39.11%
Total	3,041,593	—	—	870,901	28.63%

9.3 Market Risk

CAPITAL REQUIREMENT FOR MARKET RISK

In RMB millions

Risk type	At 31 December 2014
Parts covered by internal model approach	5,511
Parts uncovered by internal model approach	824
Interest rate risk	824
Commodity risk	0
Total	6,335

Note: According to the implementation scope of the advanced capital management approaches approved by CBRC, parts covered by the market risk internal model approach of the Bank include currency risk of the Group, general interest rate risk of the parent company and ICBC (Canada) and commodity risk of the parent company. Parts uncovered by the internal model approach are measured by the standardized approach.

The Bank applied the Historical Simulation Method (adopting a confidence interval of 99%, holding period of ten days and historical data of 250 days) to measure the VaR, which is then used for capital measurement under the internal model approach.

VALUE AT RISK (VAR)

In RMB millions

Item	2014			
	Period end	Average	Maximum	Minimum
General VaR	750	554	773	426
Interest rate risk	171	107	205	25
Currency risk	811	558	830	402
Commodity risk	53	31	184	11
VaR under pressure	1,375	1,050	1,428	754
Interest rate risk	109	91	152	43
Currency risk	1,394	1,041	1,464	789
Commodity risk	73	44	133	22

9.4 Operational Risk

The Bank adopts the standardized approach to measure capital requirement for operational risk. As at the end of 2014, the capital requirement for operational risk was RMB85,469 million.

9.5 Other Risks

- Interest Rate Risk in the Banking Book**

As at the end of 2014, under the assumption that the overall interest rate in the market moves in parallel without taking into account the risk management actions that the Management may take to mitigate interest rate risk, the Bank's interest rate sensitivity analysis is set out below:

INTEREST RATE SENSITIVITY ANALYSIS

Changes of interest rate in basis points	At 31 December 2014		At 31 December 2013	
	Impact on net interest income	Impact on equity	Impact on net interest income	Impact on equity
Increase by 100 basis points	(1,635)	(30,483)	(3,625)	(23,845)
Decrease by 100 basis points	1,635	32,354	3,625	25,219

• **Equity Risk in the Banking Book**

In RMB millions

Equity type	At 31 December 2014			At 31 December 2013		
	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealized potential gains (losses) ⁽²⁾	Publicly-traded equity investment risk exposure ⁽¹⁾	Non-publicly-traded equity investment risk exposure ⁽¹⁾	Unrealized potential gains (losses) ⁽²⁾
Financial institution	28,049	840	506	28,221	874	218
Corporate	2,789	3,127	1,267	1,900	1,573	863
Total	30,838	3,967	1,773	30,121	2,447	1,081

Notes: (1) Publicly-traded equity investment refers to equity investment made in listed companies, and non-publicly-traded equity investment refers to equity investment made in non-listed companies.

(2) Unrealized potential gains (losses) refer to unrealized gains or losses recognized on the balance sheet but not recognized on the income statement.

10. Issue of Results Announcement, Annual Report and Capital Adequacy Ratio Report

This Results Announcement will be released on HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc-ltd.com) simultaneously. The 2014 Annual Report prepared in accordance with IFRSs and the 2014 Capital Adequacy Ratio Report disclosed in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) promulgated by CBRC will be released on the HKExnews website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the websites of the Bank (www.icbc-ltd.com). Specifically, the 2014 Annual Report prepared in accordance with IFRSs will be dispatched to the shareholders of H shares of the Bank. The 2014 Annual Report and its abstract prepared in accordance with PRC GAAP and the 2014 Capital Adequacy Ratio Report will be released simultaneously on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.icbc-ltd.com).

This Results Announcement has been prepared in both Chinese and English languages. In case of any discrepancy between the two versions, the Chinese version shall prevail.

By Order of
The Board of Directors of
Industrial and Commercial Bank of China Limited

26 March 2015

As at the date of this announcement, the Board of Directors comprises Mr. Jiang Jianqing and Mr. Yi Huiman as executive directors, Ms. Wang Xiaoya, Ms. Ge Rongrong, Mr. Fu Zhongjun, Mr. Zheng Fuqing, Mr. Fei Zhoulun and Mr. Cheng Fengchao as non-executive directors, and Mr. Wong Kwong Shing, Frank, Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Or Ching Fai, Mr. Hong Yongmiao and Mr. Yi Xiqun as independent non-executive directors.